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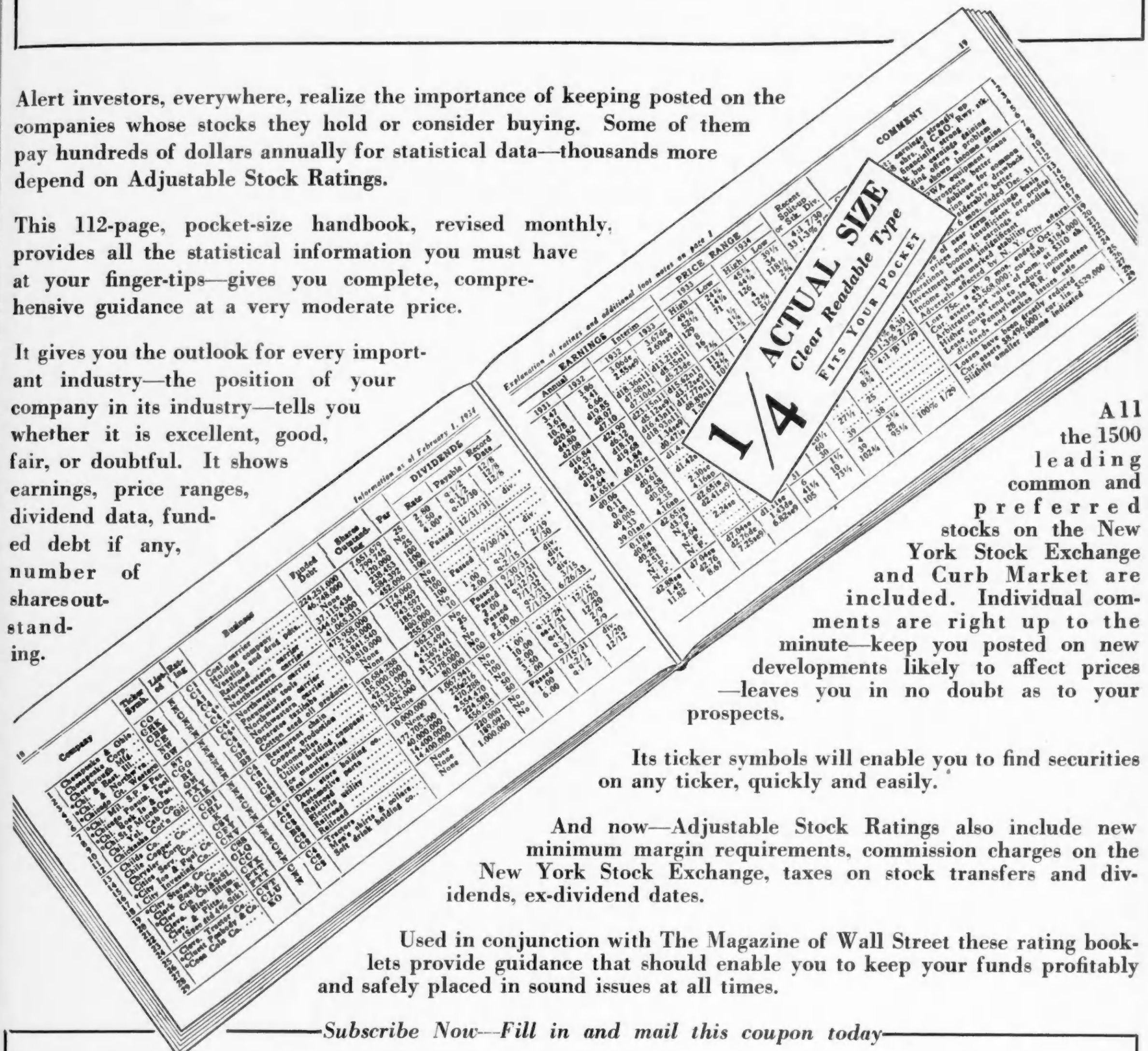

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WITH THE EDITORS

Cheap, But No Bargain

TO the ever-growing list of financial delusions may well be added the line which usually takes this form—"You can't miss at least tripling your money in this stock as it is selling at $1 a share and will move ahead with the market." The stock in question may have a book value of $10 a share and a par value of $25 but these two figures, while somewhat impressive-looking when they concern a low-priced stock, do not necessarily have any relation to the market price of the stock.

Broad statements concerning low-priced issues usually carry the inference that it is better to buy 100 shares of the low-priced issue than four shares of a $25 stock or only two shares of a $50 issue. However, a cursory glance of price movements over a period of years shows the fallacy of this reasoning. This tendency to look upon the so-called "cats and dogs" as having a much greater chance of increasing in value on a percentage basis than a higher-priced issue is doubly dangerous as there is a temptation to buy a large lot of such stock—usually with dire results.

It is important to bear in mind that under normal conditions, the stock market discounts the future, and when a stock continually is quoted just above the penny class, it is a clear indication that the collective judgment of the entire financial world has passed its opinion on the issue and has found it undesirable.

During the depression days of 1932, it may be argued that many stocks which now are quoted in the fifties, sold at a few dollars a share. This is entirely true, but conditions were decidedly sub-normal and stocks were being disposed of regardless of true value. When business began to emerge from the depression last year, practically every stock advanced for a time, just as race horses are usually bunched a few yards after leaving the post. However, it was only the quality issues which stood the test and are currently selling at much higher prices due to recovery of former earning power.

Extremely low-priced issues seldom sell on the basis of their true worth. They sometimes double in value for a few days—due entirely to heavy speculative buying and not to any improvement in earnings—but a year or two later they may be removed from listing on the exchanges.

The fact that low-priced issues are often referred to as "cheap stocks" does not infer that the stocks are undervalued. It only means that they can be purchased for a low price or are of small value.

There are, of course, exceptions to every rule and many issues, temporarily quoted at extremely low levels, recover their former earning power and score and hold impressive market gains. However, these situations are usually known but to a few who have made a careful study of the outlook for the companies which the stocks represent. The gains are the result of fundamental improvement, and are not dictated primarily by the "cheapness" of the issues.

In The Next Issue

The Magazine of Wall Street's Mid-Year Dividend Forecast
Part II

Earnings, investment position and dividend prospect for leading companies in the following industries:

Steel	Food	Building
Metals	Tobacco	Automobiles
Petroleum	Chemicals	Tires and Accessories

The Crucial Next Six Months

Will Changing Government Policy Give Business a Break?

By THEODORE M. KNAPPEN

"The biggest find I ever made was in A. T. Miller's and John Durand's 'The Business of Trading in Stocks.'

"The illustrations and charts on the actions and methods of the pool operators was wonderful. That book has clearly opened up new ideas for me and put a different light on quotations and averages."
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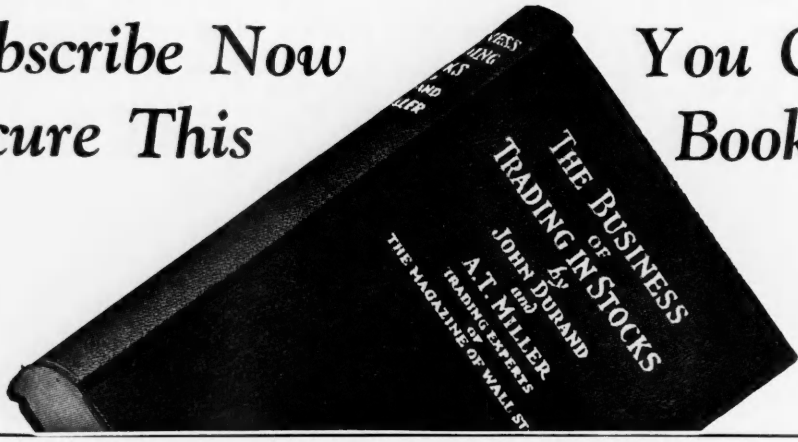

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By JOHN DURAND and A. T. MILLER

Including a Formula for Determining Common Stock Values in This Second Phase of Economic Recovery

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CHAPTER V—*The Technique of Manipulation (cont.)*
Buying on Reactions. Detecting distribution—rallies—reaccumulation.

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CHAPTER XI—*What to Buy and When.*
Acquiring familiarity with individual stocks—seeking out-of-line opportunities—getting out with a profit—pyramiding and averaging.

CHAPTER XII—*Rights, Arbitrage, and "Puts and Calls."*
The purpose of these three useful aids to trading—how the serious trader may look to them for profits.

CHAPTER XIII—*Important Principles of Trading.*
A summary of all the above—with an appeal for conservative methods. The probable average profits the trader may look for.

APPENDIX A—*A Mathematical Formula for Determining Common Stock Values.*
A simple mathematical method—the greatest single factor available for finding which stocks are actually under- or over-priced—invaluable in determining buying and selling points.

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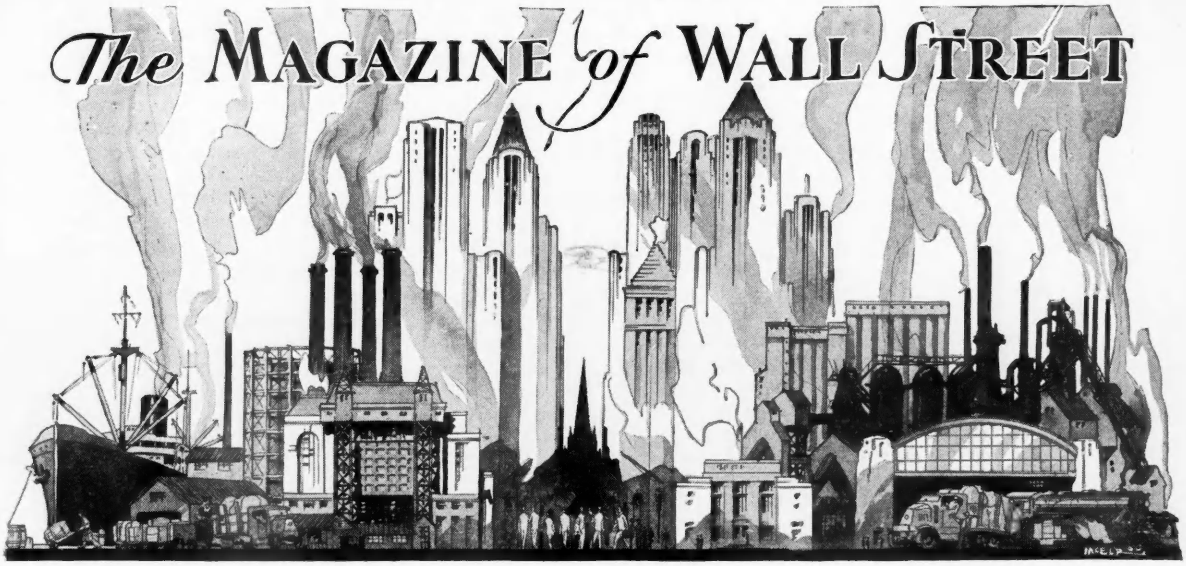

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The Trend of Events

— The Toll of the Drought

— Soft Words from the S E C

— Looking at Strikes

— A Stumbling Block

THE TOLL OF THE DROUGHT

THROUGHOUT the depression city people have turned from their own misery to think of the relative security of the farmers —for they, at least, with a little care and effort, could eat without resort to public aid. But now inexorable nature has put perhaps 4,000,000 rural people on or perilously near the bread line. They are chiefly the people who reside in that once fruitful and prosperous region between the Northwestern forests and the western slope of the Missouri valley.

No doubt there have been some hasty generalizations regarding the permanent consequences of this drought, which has been cumulative for several years, but it is likely that it will lead to some new public policies and private practices relating to land utilization. It has been pretty well understood for many years that the wholesale plowing up of the prairie sod west of the 101st meridian was a hazardous venture, but the dismaying thing about the present calamity is that it raises a question of whether desert conditions are not threatened far to the east of the 101st. The problem seems not to be one of insufficient annual rainfall on the average, but of waste of it. A naturally dry country has been drained and pumped until the water plane has been lowered, lakes have vanished and streams have disappeared.

A few abnormally wet seasons may restore crop production conditions for the time being, but it begins to appear that the nation and the state must face a tough task of rehumidizing vast areas by restoring natural conditions. The scientists at Washington have evidently concluded that the stand against the desert must be made along the 99th meridian, for it is in its neighborhood that the Forest Service is starting to build the great 100-mile wide wall of trees from Canada to Texas, which is expected in the course of fifteen or twenty years to break the force of the dust winds, conserve rainfall, humidify the air and perhaps add to precipitation.

Secretary Wallace says that a few weeks of drought have knocked out all the great agricultural surpluses except in cotton. If he is right, the agony of the moment is probably bringing about an economic position that is charged with dynamic recovery. What national management was to accomplish over a period of arduous years has been decreed and accomplished by nature

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS
1907–"*Over Twenty-Six Years of Service*"–1934

in a few weeks. The task of considered control hereafter will be to maintain a sound position instead of moving heaven and earth to arrive at it.

SOFT WORDS FROM THE S E C

IN an address approved by his associates, Joseph Kennedy, jovial chairman of the Securities Exchange Commission, has officially acknowledged—what everyone knows—that confidence in business and in the security markets is sadly lacking. With words of common sense he strives to offer assurance. The Commission, he promises, will make war on fraud and misrepresentation, but will not view business with suspicion, will not work on the theory that everyone connected with finance is guilty "of some undefined crime" and "will not sit as prosecutor, hopeful of bringing in a verdict of guilty." He adds that confidence can not be restored if business is "harassed and annoyed and pushed around," but only if it is given a chance "to live, make profits and grow."

Good administration of a harsh law may ameliorate it somewhat, but the law remains and the law is severe. In its effect upon the security markets and upon capital flotations it is a clumsy, but powerful, brake upon economic recovery, regardless of the well-meaning theories behind it. We are particularly impressed by Mr. Kennedy's remark that confidence can not be restored "if business is harassed, annoyed and pushed around." The "if" in that sentence is somewhat naive. In many ways other than the Securities Act, the New Deal has been harassing, annoying and pushing business around! Unfortunately, it has been doing so for so long that the job of restoring business confidence and initiative is now beyond question the most crucial one confronting the Administration. It will not be easy, for it is always easier to destroy than to re-build.

LOOKING AT THE STRIKES

SERIOUS strikes are a characteristic of economic recovery. A convalescent is notoriously a troublesome patient for nurses. Taking strikes as a dependable symptom of economic conditions, we must be well on the road to recovery, for the map reveals a new strike of magnitude every time it is glanced at. But this is too superficial a view to satisfy the serious-minded. At the best a great strike is both an economic and moral disaster, even if good may later flow from present evil. A strike is an industrial quarrel which needs only handy weapons to become a civil tumult, if not a revolt. It is a crude way of settling a quarrel by compulsion. Whoever wins, or if neither side win, it is bound to leave behind anger and resentment, and to mark an advance toward permanent social antagonisms.

A general strike is a revolt; it is an effort to overthrow the government if only for a time and a limited locality. None but a supine or tottering government can surrender when a general strike is declared. The strike must be crushed or the government overthrown. The utter failure of the San Francisco general strike must be hailed with satisfaction by all rational citizens. The strike failure in San Francisco is likely to have a rationalizing effect on foolish labor leaders and the rank and file of union men who permitted an alien communist to lead them into disaster. On the other hand, if employers take a public victory as a personal victory and vindictively try to crush unions or abuse them because of the opportunity presented by defeat and public hostility they will make a grave mistake. The time for liberality is now in the hour of victory instead of in another crisis a year or two hence when the fortunes of war may break the other way.

A STUMBLING BLOCK

THE erratic economics of N R A is finally overtaking that storm-tossed institution. A year after its advent began to check the first signs of recovery it is still blocking recovery. No one will deny that N R A was a vivid psychological stimulant at first and has accomplished much in humanitarian directions. Few will maintain that our national economy does not need some sort of a steadying and co-ordinating agency. But N R A started out with the fallacious idea that increasing industrial production was a dangerous thing unless wages and payrolls increased concomitantly in proportion. Actually General Johnson predicted a year ago that if rising production could not be checked or payrolls rapidly stepped up immediately the country would go into a still lower phase of the depression than it had experienced. Nobody stopped to think that if he were right, every depression we ever had was overcome in the wrong way. Wages, salaries and profits come out of production, and the natural thing is to get the wherewithal of fat pay envelopes before attempting to fill them. The first lively rebound of production in four years was checked by the curious idea that the way to get rich was to check the production of wealth. Ever since N R A has been on the side of economic fallacy. It has increased prices and wages, shortened hours and reduced output, and has opposed the natural forces which would have made for better pay. Last month there was an increase of some 80,000 in unemployment, largely because N R A has made it difficult for employers and prospective employees to meet on common ground. Strikes have been encouraged and the policy of spreading work has been countered by the destruction of work. But now signs of revolt are seen on every side. Artificial price structures are breaking down, a multitude of suits against N R A is pouring into the courts. The country is slowly rescuing itself from its self-appointed rescuers.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 380. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, July 30, 1934.

As I See It ~ By Charles Benedict

The Revolution of the Bureaucracy

THERE will be no bloodshed in this bureaucratic revolution. It will not be necessary; for while the proletariat and the bourgeois are fighting for control—public officialdom will quietly and firmly annex the prize. This has been going on for some time,—and the recent suggestion to levy 12½ to 75 per cent on all incomes in New York from $5,000 up, the levy on payrolls to start at $25 per week, is but another indication of a dangerous trend which continues unchecked. It would seem that the producers and the distributors of the world's goods are blind to the fact that they are being gradually enslaved in one country after another to support a gigantic bureaucratic army of government officials and to finance all the wild schemes for a social structure that is utterly impossible of accomplishment in this realistic world—as the Russians have already found out.

In that country it is no advantage to be a worker, and the government is the distributor. It is only advantageous to be a member of the bureaucracy. Although the official salary may be as small as 250 roubles a month, it is supplemented by perquisites which include quality clothing—depending on the position the official holds—good food,—even an automobile,—a house in the country,—and an expense account,—while the rest of the population, approximately 150 millions of shabby people, are living on bare subsistence rations, with the housing problem still unsolved to such an extent that even in the limited number of improved quarters one room accommodates a whole family.

Eighteen years have elapsed since the fall of the Czarist Regime. Thirty million people died of starvation during the transition period. Yet today, although the *people's government* is in complete control, the improvement is exemplified by the fact that "only four million people died of starvation" last year! And, the objectives for which these people fought, bled and starved have not been realized. The land has not been divided as promised. Today the peasants do not own a single foot. They have merely exchanged one master for another—the bureaucrat for the landowner—and the despotism to which they are subjected under Soviet bureaucracy is greater than it ever was under the Czarist Regime.

The beneficiaries of Soviet liberalization were the factory workers, numbering some eight million before the Revolution who, in most cases, are now able to slave in modernized factories instead of primitive ones,—but who have opportunities for schooling,—who are taught to read and write,—and receive a cultural education to give them an appreciation and understanding of art, the theater and the opera—but who nevertheless still live in utter and abject poverty to which there is no basis of comparison low enough in the United States. Was it for this—to better the lot educationally of the unfortunates among eight million of the working population—that an entire nation of 150 odd million people were reduced to virtual destitution?

From "USSR in Construction"

Peasant Women Learning to Read and Write

And, the prospects for improvement are still very dark. In spite of the various shifts from red to white which the Soviet Government has made, and the different policies which they allow to be followed in each one of the nine Soviet Republics,—including private capitalism in the Far Eastern regions nearest Japan where freedom from taxation for ten years, is allowed in order to insure resistance to invasion.

The great difficulty lies in that the psychology of the Soviet Regime is typically Russian,—long on argument and short on carrying through,—strong in diplomatic negotiations and weak in execution. By their misguided policy of mechanizing a whole nation abounding in cheap labor they have reduced the country to such great poverty that even given the funds and a new regime with a new political philosophy it will take years of effort to rehabilitate to a livable state.

Although Russia formerly yielded a surplus of agricultural production,—today—through the failure *first* of the commune farms and a psychologically unsound policy—and *now* because of disorganization in the state and collective farms,—the continuing lack of transportation—there is an insufficient production to meet the requirements of domestic consumption. Through their mistaken and ruthless extermination of the intelligentsia they sacrificed the technical, scientific, industrial and financial brains of the country so that tremendous sums were wasted in industrializing and rehabilitation. Today, many of their factories are obsolete or require renovation. The expensive machinery for industrial and agricultural purposes, dearly purchased by depriving the population of the necessities of life, are in many cases ready for the scrap heap due to lack of mechanical skill and proper handling. Therefore, the government at the present time has the job of replacing and renewing as well as expanding.

In spite of the elaborate plans for the motorization of Russia, a few 1929 Ford models, now manufactured by the Soviets, without alteration or improvement klax-on their way through

(Please turn to page 424)

What's Ahead for the Market?

Combination of Fears Carries Market Back to October Levels—Politics the Largest Factor in Recovery

By A. T. Miller

UNDER a variety of adversities and uncertainties, stock market apathy, pronounced for months, in the past fortnight gave way to sheer discouragement. Gathering momentum as it proceeded, selling first struck the liquor and railroad shares, then spread throughout the list. Few issues were spared, although firm demand has persisted for the minority of stocks of investment rank and satisfactory yield. Speculative issues remote from earning power have been sorely hit in a market which, because of Federal regulation, lacks the cushion of normal speculative support formerly provided by professional operators or banking sponsors.

Stocks Recommended for Current Purchase

Union Carbide	**National Sugar**
Cudahy Packing	**American Cyanamid**
Lake Shore Mines	**Liggett & Myers "B"**
Atchison	**Trico Products**
Chesapeake & Ohio	**Corn Products**
Commercial Credit	**Pillsbury Flour**
Swift Internacional	**Continental Oil**

As this article is written, it is a year and five days since the rampant 1933 bull market, ushered in by the Roosevelt Administration, crashed in disaster. That break and the desire to prevent a repetition of it largely contributed to the Administration's determination to bring the speculative markets under Federal control.

As a practical matter, today's market is "regulated," even though the powers of the S E C will not be in full operation until next October 1, for—with actual control so near—professional operations for weeks have trod the straight and narrow path. There have been no visible evidences of pool operations or other manipulative tactics.

Yet this "natural" market has now in a single session suffered an upset highly suggestive of that of July, 1933, with the volume of transactions spurting to 3,340,000 shares and with many stocks in a space of five hours losing 5 to 10 per cent in price.

Thus, so far as short-term fluctuations are concerned, another New Deal theory—that of market regulation—has followed the path of N R A and A A A in colliding with unpleasant reality.

On the optimistic side, it appears probable that in a decline so precipitate and in a volume well above 3,000,000 shares we are either at or not far from a speculative climax.

Currently the market on the average is back approximately at the low point of last October. That level may or may not hold intact against the selling which aggravated reaction itself tends to induce. If it does not hold, traditional speculative reasoning will have a strong temptation to infer from the charts that the basic economic recovery which began in March, 1933, has ended and that a major bear market deflation has been renewed.

Regardless of the immediate price movement, however, or of such devious and mystic implications as speculators may read from it, we find it utterly impossible in the present economic picture to believe that the national advance along the recovery road has been more than temporarily interrupted.

For more than eighteen months the will and endeavor of this country have been focused on a recovery program heading up to the Government itself. That program has rested essentially — and continues to rest — upon generally inflationary policies designed to raise prices of staples and to restore the national purchasing power. There have been mistakes along the road. Methods have been changed and will be further changed.

But there is no change in the basic objective, and it is to us inconceivable that we are now suddenly to make an about-face and seek economic adjustment along the painful road of deflation. It was the latter road that we followed in America during most of President Hoover's Administration. It is the latter road that France and Italy are today following in clinging precariously to the gold standard at pre-depression parities and in deflating costs and living standards—all without restoring even a semblance of normal prosperity.

Of course, if *that* is the road along which the Roosevelt Administration will now go in reverse, we will most certainly be treated to a bear market in securities and everything else.

We think it preposterous. Rather, it appears much more likely that what has been seen is merely another intermediate decline, however severe, in a stock market which for more than an entire year has fluctuated over a broad trading range, lacking fundamental reason to break significantly out of it either upward or downward. Possibly the current reaction may somewhat extend the previous bottom of that range—as marked by the lowest price level of last October. Possibly it may fail to do so. In either event, our opinion is that the movement will prove of temporary, rather than permanent, significance in relation to the ultimate outlook for business and for security prices.

On this conclusion, we see no reason why investment holdings of sound stocks should be liquidated. On the contrary, a slump caused chiefly by a collapse of speculative confidence affords the investor an opportunity to average desirable holdings advantageously or to make additional discriminating commitments if available surplus funds are

not adequately employed. There is no logical alternative.

The determination of a wise intermediate trading policy at this time is much less simple. In the preceding issue of this publication, at a time when the market was more than 15 per cent above the current level and only some 10 per cent under the peak of the last two years, this article pointed out that the margin of possible profit available to short-term traders above the then existing level was a small one and that the risk involved in such trading was then increasing.

To give the present picture on a rough, but readily grasped, index, the current price level is represented by the figure 75. The "double top" of last February and of July, 1933, was approximately 100. The low of the banking holiday crisis of 1933 was around 50. With the exception of the latter period, the figure averaged from 55 to 60 for ten depression months between August, 1932, and April, 1933.

Even the most confirmed bear would hardly expect prices to go back to the level which briefly existed during the banking holiday. Ruling out that period, then, our relative market levels are: high, 100; low, 60; present level, 75.

Thus, on simple arithmetic, the odds against the intermediate trader have greatly declined and will decline further on any additional reaction. On the other hand, in the face of a severe break in speculative morale, there is obvious risk in attempting any arbitrary estimate of the possible limits of reaction.

To the short-term trader, therefore, there are two logical courses open. One can wait for evidence of a stabilization of the market, to be had only after a rally and the test of secondary selling. Some premium will be paid for such caution. On the other hand, one can minimize the risk of current accumulation by placing buying orders on a scale down.

Accompanying this article we again present a list of recommended stocks. Most have been previously recommended, and it will be observed that these have performed substantially better than the average of the market, ten out of the fourteen having held thus far above the lows of May and June in sharp contrast with the general market movement. Substitutions do not imply that our regard for any of the recommendations of the last three preceding articles has been withdrawn, but merely that the sharp decline has uncovered additional issues which we previously considered out of line with earnings prospects.

We adhere to the principle heretofore expounded that under present economic conditions the most attractive opportunities both for investors and traders are in stocks of investment or semi-investment caliber or in the limited number of more speculative issues favored by a currently expanding trend of earnings. Our recommendations of the past several months, and those at present, center on dividend-paying stocks of both safe and attractive yield.

The reason for this is simple. Regardless of business and political uncertainties, money rates are extremely low and are certain to continue so under the policies now followed by the Treasury and the Federal Reserve System. The pressure of surplus funds has forced high-grade bonds to an abnormally high level, many now yielding only 3 to 4 per cent. It naturally follows that funds seeking employment at satisfactory yield tend to flow into sound stocks offering a relatively safe 5 or 6 per cent. Both in general market advance and decline over recent months such stocks have made by far the best showing.

Why has so severe a decline occurred? As usual, many reasons can be advanced. Since they have worked together, to rank them in their order of actual importance is impossible. Over all, we think, is a final crystallization of speculative and business disappointment in the results of the New Deal. For months the market has struggled hopefully against it.

The nub of the matter is that in the face of uncertainty as to the Government's future policies, the prospect of higher taxes, the effect of rising costs—both wage and materials—in cutting into business profits, business men have become increasingly reluctant to make forward commitments of any kind. This sentiment is curtailing orders for autumn goods.

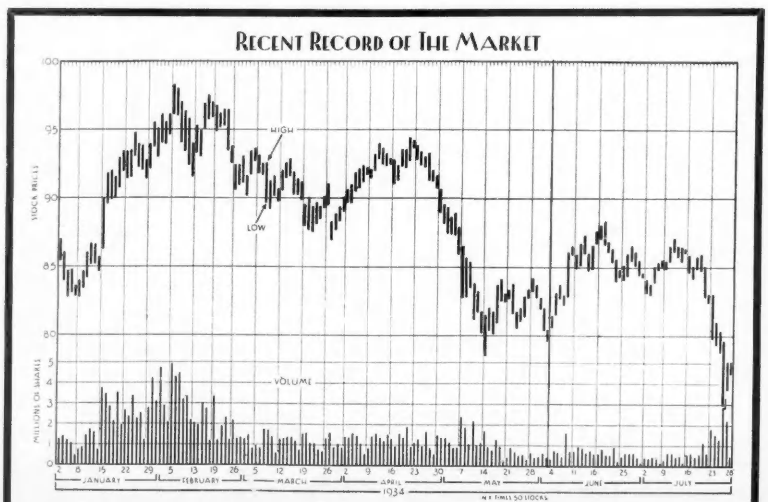
At the same time a fortnight more of unrelieved drouth in the Middle West has presented an increasingly serious threat to business activity.

The recent European war scare appears to have been merely an incidental, but effective, blow at speculative nerves already decidedly on edge.

The troubles of immediate interest to the market are at home. They include, in addition to those above enumerated, the growing recognition that, regardless of recent modification of the Securities Act, investors are still reluctant to make long-term capital commitments and business is equally reluctant to expand capital equipment. This means that new financing shows little promise of important recovery this year. It therefore means, also, that the heavy industries—real center of depression and unemployment—will continue to lag in recovery.

On the hopeful side, it is obvious that the further business recession which the stock market is forecasting will constitute a crisis for the Roosevelt Administration, the second crisis thus far. The first came last October, with business and securities declining to a level politically distasteful. Mr. Roosevelt met it by marking up the price of gold, by expanding Federal emergency expenditures and, in January, by formally re-valuing the dollar.

The generally inflationary measures then taken kept the recovery movement going into the spring. That they failed to take hold in (*Please turn to page* 423)



Will Fall Business Recovery Depend on Politics?

Government Has Great Power—and Will Use It If Natural Forces Fail—Will It Be Successful?

By Henry L. Blackburn

WHAT might well have been no more than an ordinary summer recession in business, has been accentuated by drought and by a menacing European situation, centering on the independence of Austria. Moreover, the sharp break in the stock market which has been engendered by these developments, is in itself a depressing influence on the course of general business. It becomes a question therefore whether one can look for a substantial upturn this fall as confidently as was the case a few weeks ago. Let us attempt a brief summary of both the good and the bad in the outlook.

Domestically, in the past few weeks the rate of steel operations has fallen drastically, carloadings are off in comparison with the corresponding period of last year, electric power output is making a less favorable comparison with 1933 and, while the automobile industry managed to revive flagging interest by cutting prices, there are signs that this stimulant is now working off. At the same time, construction contracts are smaller, mainly in the public works division, and retail sales, making adjustment for the higher price level currently prevailing, continue to show a smaller volume of goods moving into consumption channels. And over all, there hovers the dark cloud of labor trouble.

On the face of it, this would seem perhaps to indicate that the current relapse in business was more than a summer slump and therefore a serious interim interruption of recovery. There are, however, a number of factors mitigating against such a conclusion. Of these the most important is the seasonal influence. Some kind of recession is almost always experienced during the summer months and here we are in the midst of it. Quite obviously, it is not fair to hold the view that just because various unusual governmental forces have been brought to bear on the depression that these should be completely immune — contrasting with natural forces —to the seasonal factor.

Among the Government's Powers for Business Stimulation

1. ***Thomas Amendment permits the printing of money up to three billions.***
2. ***Remainder of "gold profit" available—about a billion.***
3. ***Silver can be bought and much more than the purchase price in bills issued against it.***
4. ***Two-billion-dollar stabilization fund.***
5. ***About two billion dollars available for direct relief.***
6. ***Half-a-billion-dollars drought relief.***
7. ***Public Works may be speeded up.***
8. ***Home Owners' Loan and Federal Farm Mortgage agencies continue to lift mortgages.***
9. ***Possibilities in new Housing Act.***
10. ***R. F. C. still financing both private business and governmental agencies.***
11. ***Further dollar devaluation.***

Aside from this, there is adequate specific explanation for some of the phases of the current recession. The decline in steel production, for example, was partially if not wholly expected. Towards the end of the second half of the year steel activity was abnormal. This was brought about in the first place by the unusually well sustained automobile production and in the second place by consumers and middlemen stocking-up in anticipation of higher prices for third quarter deliveries. Now that automobile production has commenced to drop and there is no longer the urge to build up steel inventories, it was quite natural that output should decline.

It seems most likely, however, that the low point of steel operations has been seen. A large part of the stocks laid-in by consumers and middlemen will be used up this month, so that this factor will be less of a depressant on output than at the present time. August steel operations therefore, while they can hardly be good, ought to be somewhat better than July and lead up to substantial improvement in September.

Although automobile production is declining, and if precedent means anything should continue to decline up to October or November, operations in this industry are really holding up very well. There was a sharp decline in output during the week of the holiday (July 4) but a rebound followed. Every month this year for which figures are available have topped the corresponding month of 1933 and July should prove no exception. It is probable that the manner in which automobile output has been sustained well into the period of summer dullness, may be attributed in large part to the recently initiated price reductions. The stimulating effect of the price-cuts will, of course, wear off

in a short time—it seems to be doing so now—but in any event the policy must be credited with having played a part in making the summer business picture somewhat better than it otherwise would have been.

Apart from the blanket "seasonal" excuse, there is no way of mitigating the declines that have taken place in other important components of the business picture. At the same time, it must be remembered that the declines for the most part have not been alarming. Electric power output, while making less favorable comparisons with last year, nevertheless is still ahead of that period. Also, present retail sales are somewhat better than June's low level. In other words, although business as a whole has slipped somewhat, there is nothing to warrant an attitude of exaggerated pessimism.

For the balance of the year, the outlook appears to depend upon four basic considerations, of which unfortunately three are exceedingly dark horses. It is logical, of course, to look forward to a seasonal improvement in the fall. This is merely a starting point, however, for whether the improvement will be slight or great depends in the main upon the other three considerations—what of crops, what of labor and what of the Government? The net effect of these should far outweigh the numberless minor influences in the situation. They should even outweigh the concrete effects of whatever might happen in Europe, although naturally a serious situation over there is extremely potent psychologically and further threats of war certainly would be a depressant.

It has always been the classical attitude that a crop failure, or partial failure, was to be considered a disaster. On the harvesting of abundant crops, their transportation to market, and the farmers' winter purchases with the proceeds, it was supposed generally that the scope of the seasonal upturn depended. Without in any way admitting its validity, the new attitude, at least here in the United States, is that price is more important than size in considering whether or not a harvest is satisfactory. The Government has bent mighty efforts towards crop curtailment. It has made large benefit payments for taking acreage out of cultivation. Planted acreage has been ploughed under. And now along comes drought, heat and pests to reduce the harvest of important crops more drastically even than in the dreams of Washington's most ardent curtailers. Indeed, it might be said that nature has not reduced its harvest, but devastated it.

As a result of both the natural and artificial reduction in the coming harvest, prices for all grains and cotton have risen, in some instances sensationally. Those that hold the view that short crops at high prices are preferable to large crops at low prices undoubtedly are gratified at the development. It is to be doubted, however, whether the prospects for the fall upturn in the country's business as a whole has been enhanced. The Government, of course, is seeing to it that those farmers whose crops have been ruined will sustain little, if any, loss of purchasing power and those farmers who *will* have something to harvest seem assured of a substantial price for it. On the other hand, a number of railroads, elevator operators, middlemen and others will be unfavorably affected, to say nothing of the fact that if the consumer has to pay more for food and clothing his expenditures for other things necessarily must be less. All-in-all, it appears logical to conclude—even allowing full credit for the reduction of unwieldy surpluses—that so short a harvest as that which is in prospect must definitely be classed among the adverse factors.

The possibility of labor trouble upsetting the fall upturn in general business is not a matter about which any very definite stand can be taken. There have been so many strikes and so many are pending—as is usually the case in all recoveries from depression. They naturally represent a loss of real wealth to the country. Of course, the failure of the San Francisco general strike is clearly a deterrent to other attempts along the same lines and it may well be that we are about to enter a period of comparative quiet on the labor front. As has been said, however, it is impossible to conjecture on this point and the unfavorable potentialities is merely a matter that must be kept at the back of one's mind.

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A Choice of Diets

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

European Business

Leaving out of consideration the war clouds that have recently gathered on the European horizon, the outlook for further business recovery in Europe and the Orient is none too bright. Marked hesitancy is apparent in both commercial and industrial aspects of most countries. Crops are generally below normal because of drought conditions; labor difficulties are encouraging political unrest. Foreign trade has not responded to the stimulus of cheap money at least insofar as manufacturers are concerned. It is true that conditions in Britain are more favorable than on the continent—slum rebuilding and some industrial expansion having contributed much to activity. Yet even in this country the latest reports show a recent drop in British employment figures.

By comparison the business prospects for the United States are held to be more favorable which probably accounts for the recent bulge in the purchase of investment common stocks by Europeans.

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Nazi Defeat

The fears for world peace which were expressed on all sides with the killing of the Austrian Chancellor are abating. Obviously the international situation bore many of the earmarks of the initial steps which led up to the World War just twenty years ago, but important differences are revealed by closer scrutiny and subsequent developments. Germany in 1914 was armed to teeth and awaiting only Der Tag. Today she is not adequately armed for an aggressive war; her raw material supplies are woefully reduced, she faces an acute food shortage on account of the drought, she is surrounded by unsympathetic if not unfriendly neighbors. The Nazi movement has overplayed its hand both in Germany and in Austria. Perhaps this was to be expected when the type of its leaders is examined; for it is not without significance that Hitler, the fanatical idealist, who apparently sought by intrigue to spread his political faith, surrounds himself with a peculiar assortment of leaders. Goerring, his Minister of Air, is reputedly a drug addict; Goebbels, presiding genius of propaganda, is club footed; Rosenberg is not even a German but an Esthonian and former member of the Russian Army; Ley, in charge of Labor, has an unsavory reputation for drunkenness and profligate living, while Rohm, the former intimate of Hitler and erstwhile leader of the storm troops who was executed in the recent "purging," was a homosexual previously charged with crimes of perversion. It is small wonder that with such leadership, public confidence in Germany has faltered in its Government.

It is not surprising that Austria seeing the German hand behind the recent uprising is now developing such strong anti-Nazi tendencies that Von Papen may prove unacceptable as Germany's Ambassador to Vienna.

Hitler's star is setting. His prestige is supplanted by suspicion both in Germany and abroad. He cannot long go on without foreign financial assistance which will be difficult to obtain.

There are sufficient conservative elements within the country with enough power to step in and force an immediate reversal of some of the most dangerous policies of the Nazi regime, but the time is not ripe for such intervention. It can be accomplished more effectively and the reformation made more enduring when economic conditions are even more acute than at present. Then a new regime backing a paternal form of government may be expected to step in. Such a government might preserve enough of the present left tendencies to continue dominance over the economic life of the nation, but certainly private enterprise would have less restriction than at present and private initiative might have further opportunity.

The ill-fated Austrian outburst has served to crystallize international sentiment. The implication that Mussolini held Hitler responsible and took action to forestall any invasion of Austria has produced a rupture between Italy and Germany that will endure as long as the Nazi regime holds sway. The alignment between France and England is strengthened although Britain is pursuing a non-committal policy probably in recognition of the strategically weak position of Germany and in the full knowledge of her impotence.

* * *

Foreign Trade Revival?

It will be the task of the recently resurrected League of Nations Economic Committee to devise and suggest the most feasible methods of lowering the barriers which has effectively paralyzed foreign trade even though their complete removal under present world conditions is rendered impossible.

The primary obstacles to foreign commerce are obviously tariffs, quotas and currency restrictions. Specific problems for discussion include the adoption of a uniform customs nomenclature, a more equitable adjustment of sanitary regulations and the simplification of specifications of weight marking and identifications of origin.

These problems are complicated and their solution to the ultimate satisfaction of the various conflicting interests concerned presents extreme difficulties.

The trend at present is definitely toward a conclusion of bilateral commercial accords, negotiated on the basis

purely of horse trading—a system foreign to the United States with its traditional policy of a uniform tariff, but the only known method of negotiation employed in European countries.

For example, the recent Anglo-French accord pending a permanent treaty includes the provision of most-favored-nation treatment with certain specified exceptions. Great Britain removes the 20 per cent surtax on French goods in exchange for concessions by France for more favorable quota allowances. Tariff revisions on British coal are swapped for lower duties on French silk and wine.

Likewise England is pursuing the same policy in the Baltic States, including separate treaties with Latvia, Lithuania and Esthonia, which in normal times are good customers of Great Britain—now feeling the present competition of Germany in these markets.

Italy, France and Germany continue to vie with each other for sales outlets in the agrarian countries of central Europe and the Danubian States.

The idea is now gaining wider acceptance in the United States, that the possibilities of export depend on the capacity of foreign countries to pay either in goods or services. A one way foreign trade policy can have only temporary duration and the practice of lending money abroad to purchase an exportable surplus has proved in the long run disastrously unprofitable.

* * *

Financial Pick-Me-Up

After having imbibed the heady stimulants of unaged dictatorship, although still suffering the effects of its prolonged hangover, international finance is gradually coming to its senses.

Russia, now admitting modified capitalistic tendencies, staggers on her shaky financial feet, sorely in need of some semblance of rouble stability. Italian Fascism, drunk with power during the orgies of stock market speculations, today is soberly attempting to adapt itself to the new conditions engendered by the economic crisis. The German mark has practically passed out and the Nazis, unless overtaken by premature death from high blood pressure, are in for a bread and water diet during the coming winter, while diminutive Dollfuss, in a state of jitters in Austria, hastily reorganized his Cabinet as a reaction of capitalism against the redoubtable effects of Nazi propaganda.

At home, Roosevelt, after toying with a tempting "silver fizz," seems hopeful Democratic "white mule" of liberal expenditures can pull him through the autumn elections without mixing drinks.

Only England and France have retained the principles of moderation in international finance and offer to other countries the much-needed pick-me-up of a more liberal and solid capitalism in the glass of democracy.

Wide World Photo.

Hitler Arrives to Explain Before Reichstag the Recent Executions

Persia Protests

The octopus arms of the Standard Oil Co. encircle the globe and its many enterprising activities often create instances of international issue. For example, the Persian government addressed an official protest to the League of Nations to be communicated to its members against the exploitation of oil fields in the Islands of Bahrein. Persia claims complete sovereignty of these islands and thereby reserves all rights to profits accruing from the exploitation of these wells by the American company.

If the potency of the League is exemplified by the outcome of the arms-limitations conference, intervention to prevent what might be termed economic aggression by pouring verbal oil on Persian troubled waters will prove equally inconsequential.

* * *

Capitalism on the Baltic

Business conditions in Esthonia, Latvia, Poland and Lithuania are showing an encouraging measure of fundamental improvement. This is of more than passing interest in view of the fact that these countries, all formerly part of the old Russian Empire, are making headway under a distinct capitalistic regime. No one is closer physically to the gigantic experiment in Sovietism than they are. No one is better able to measure its failures and successes. Therefore the firmness with which they adhere to capitalism, the lack of communistic agitation within their borders and the favorable outlook which they face is worthy of note by all students of the Russian experiment or those of communistic leaning.

* * *

World Wool Competition

Chili contemplates the destruction of some 500,000 sheep to increase the price of wool in Punta. This massacre will "plow-under" approximately 3,300,000 pounds of wool annually.

Across the Pacific, Mr. Latham, Federal Attorney General of Australia, returned from a voyage of economic research in Japan. He declared that his mission having removed certain points of friction in the Japanese-Australian relations was crowned with success; a crown of thorns, however, for English wool industries who regard with alarm negotiations for the sale of Commonwealth raw material to Japan.

At Rome, the International Wool Conference created a special commission charged with the task of studying methods to combat Japanese woolen goods competition, which has become a menace to the Occidental textile industry.

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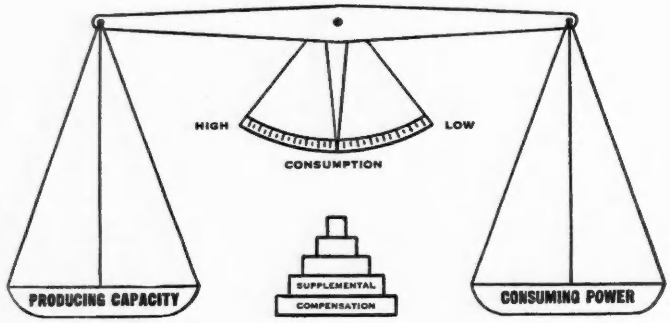
Extremes in the Business Cycle Can Be Controlled

Employment and Wages Can Be so Stabilized as to Automatically Oppose Business Recessions

Says ALBERT L. DEANE

Successful Business Executive and Co-Author and Assistant Administrator of the Housing Act

As reported by THEODORE M. KNAPPEN



EVERYBODY—that is everybody who is interested in preventing, minimizing or curing depressions—talks glibly about the Deane Plan. So much is this so that one sees and hears mere mention of the plan—scarcely ever an exposition. Everybody is supposed to know something or all about it. It is also taken for granted that nobody is doing anything about it; yet one of these days President Roosevelt may casually approve of "the well known Deane Plan" and the next day it may be law and an institution. The President is said to be "sold" on it, but fearful that there must be some "trick" in it, because it seems so sure-fire, and therefore is holding back for discovery of said trick.

Notwithstanding the well-knownness of the plan, the average reader will probably ask: "What is this Deane Plan, anyway?"

It is a plan to prevent unemployment in depressions and scotch them as soon as they show their head. The first half is simple, in theory at least, for it simply stimulates employers to spread work instead of firing workers. The other half proposes an interesting adventure in economic engineering. A while ago it might have been dubbed economic planning, but that word planning is getting into disrepute. Mention of planned economy nowadays will scatter an audience or ruin a pleasant chat in the smoking room.

Briefly, it is proposed to put a control device on the economic system, so that when it begins to run down it will immediately begin to generate a force to make it run up. That force is to be a reserve purchasing power to be turned loose through wage premiums as normal wages fall.

The author of this scheme, Albert L. Deane, of New York City, president of General Motors Finance Corp., is a distinguished business man who has fared well under capitalistic economy and has no personal grievance to avenge. For the past three or four months he has been in Washington, nominally as an executive assistant in N R A, but actually engaged by wish of the President in developing the Housing Act. He has recently been appointed as assistant administrator of that Act. Like his chief, J. A. Moffett of Standard Oil fame, and many other business men, he is virtually taking leave of absence from his business to help the nation work out of its present depression. For the past three years, his chief diversion from business has been his plan. The following presentation of it is largely in his own words, as spoken to the writer, or taken from Mr. Deane's formal presentations of it.

It is said that the perfection of the elevators in the Empire State Building resulted from 250,000 mathematical calculations. All that engineering knowledge and talent could do was done to make that vertical transit system perfect and dependable. But for fear that after all, something might go wrong, something might break, automatic devices for stopping a falling elevator were not overlooked. I have no thought of reorganizing the economic system or perfecting it. Plenty of other people are looking after that. My idea is simply to put in a safety device that will stop falling business activity and promote recovery. It is not unemployment insurance, but rather assurance of jobs and fair pay plus a device for overcoming the tendency for less work.

The idea is simply to create a national insurance fund, into which premiums will be paid by employers when times are good, and out of which all workers will have their earnings supplemented when times are bad. Along with that goes the familiar idea of spreading out what work there is. The latter, of course, is merely a sort of social

protection; the former is the essence of the scheme, for it is an offensive against the causes that make for a downward spiral once business sustains a fall.

Depressions Feed on Themselves

Every depression becomes in time something worse than its causes justify. The longer it runs, the worse it gets—until it simply can't get any worse. I am not trying to abolish depressions, but to stop their downward spiralings and start upward ones.

The outstanding characteristic of a well-started depression is a decline of purchasing power, due among other things to a decline of employment, which decline causes more unemployment and then a further fall of purchasing power, and so around and around a destructive spiral, which usually goes on indefinitely until some fortuitous development gets in its way. I think we can stop this spiral by taking appropriate action, rather soon after it starts, and by the same token start an upward spiral.

We can provide an automatic means of increasing purchasing power in relation to current production, whenever, for any reason, production falls below the total desire for the articles produced.

Engineers commonly canalize rivers by means of a series of dams and thereby maintain sufficient depth for navigation, sometimes with the aid of reservoirs for strong flood waters, regardless of droughts. In hydro-electric works, the floods are held back and gradually released in times of low water.

The even flow of purchasing power is as important to industry and the individual as an even flow of water is necessary to a water power plant. The national income is the national purchasing power. Except for hoarding and the export of capital without a corresponding import of goods and services, the entire national income is expended for either producers goods or consumers goods. By "producers goods" is meant goods and services the value of which depends upon their earning power—such as factories, machines, office buildings, transportation equipment and the like. "Consumers goods" includes all those goods and services intended for personal existence, satisfaction and enjoyment. They include food, clothing, private dwellings, private motor cars and all goods and services which are not the media of producing something else.

The demand for consumers goods is the motive force behind all economic activity, and it cannot exceed the total purchasing power in the hands of those who want the goods. If so much of the national income goes into producers goods that the remaining income is not sufficient to buy the total output of all industry, depression inevitably ensues and the value of all property decreases. The only thing which will cure the depression and restore value is to increase purchasing power in the hands of enough consumers to enable them to buy the total production upon which the previous values were based.

Turning Production into Consumption

Wages and salaries are the chief effective elements in capacity for consumption of consumers goods. If the total of them can be held above declining production, it will be stimulated, thereby creating more employment and more purchasing power, and so on. It is proposed to do this by means of compensation supplemental to the reduced wages of a depression, which is to be derived from a national insurance fund. This fund would be advanced by the Federal Government in a time of depression and be repaid to it by industry in good times, through an insurance fund tax on some 5,000,000 employers. Just how much would be required is uncertain, but $2,000,000,000 would probably be an outside figure in lifting the present depression.

The existence of a depression, within the meaning of this scheme, would be indicated by the current decline of the average weekly working hours, figures for a month, with relation to the total weekly working hours for the ten preceding years. As soon as this sign of retrogression of production appears, every worker will get out of the insurance fund a supplemental payment equal to one-half of his hourly wage rate for each hour by which the monthly average is below the ten-year average. To put a premium on spreading out employment, double-time will be paid for all over-time, which the employer can avoid paying by increasing the force, except in times when the monthly average is above the ten-year average. Of the double time labor payment, half-time payment goes into the insurance fund. In good times this share is expected to more than pay off the depletion of the fund during bad times. To take care of eligible men, who may still be left out of employment, public works jobs, something along the line of the CWA undertakings of last winter, will be provided at half-pay, their wages coming out of the insurance fund.

With everybody employed, the morale of the workers and the public will be maintained; there will be no downright human misery or social stress, no personal humiliation, no waiting lines for jobs and relief, no complex and costly relief organizations, no drain on the public treasury at precisely the time when there is little in it. Industry will pay for its own relief as well as its own recovery, and the public will not be called upon to finance depression and recovery to the accompaniment of much psychological

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Deane Depression Antidote Boiled Down

1. ***It is assurance of jobs and adequate pay (not insurance against unemployment), but more importantly a device for recovery and a depression antidote.***
2. ***Premiums collected by taxation of employers during good times reimburse a fund for payment of supplemental compensation in bad times. Government would start the fund with $2,000,000,000 credit.***
3. ***Administration of supplemental compensation so designed as to encourage spreading of work.***
4. ***Eligibles remaining jobless to perform public work at half pay from supplemental compensation fund; to prevent social distress and demoralization.***
5. ***Most important result held to be checking of downward spirals of incipient depressions by increasing payrolls (purchasing power) of all industries included above amount yielded by current volume of production, thus turning spiral upwards.***

Happening in Washington

By E. K. T.

Stock market slump last week caused no joy in Washington. It is viewed as putting off the day when the country's excess cash reserves and enormous bank credit potentialities will begin to move. Public psychology, it is admitted, is still profoundly affected by the state of the stock market. Washington feels that the slump reflects growing disposition in the business world to look upon much of the governmental manipulation of national economy as destructive. It holds that this attitude is unwarranted but realistically views it as a fact with which the Government must wrestle. Fear is expressed that besides portending a delay of activity of private enterprise it may seriously interfere with the Government's great and only move to stimulate constructive investment, the housing administration.

Cushing Photo

Financial idea behind the housing campaign was that people would put their money into government guaranteed residence construction mortgages, even though their distrust of government policies in general kept them out of new bond financing. A dead or languid stock market, it is feared, will discourage both prospective mortgagors and mortgagees, as neither group will be keen to act with general confidence depressed.

Some inflation is considered desirable if the gains in farm prices and wages are not to result in a secondary depression. Industry can not continue to pay higher wages on shorter hours and reduced output. We must either go up or go down. In a sense we have inflation, or at least reflation, of wages and farm prices. More money must flow into producers tills, but with continued lack of confidence bank credit, mountain high though it be, will not be tapped. Lack of such tapping will increase the pressure for direct monetary inflation. In this situation the hope is expressed that the President will take some step after his vacation to reassure banks and creditors.

The great drought in the West, hailed at first as a natural corrective of the supply-demand equation is now looked upon as a national calamity, which has the present effect of offsetting higher farm prices. No price is of any economic consequence if there is nothing to sell. The good effects of shortages will only appear when the farmers again have crops. In the meantime cropless farmers add to the burdens of the relief budgets, stir up inflation sentiment and make for higher living costs.

Administration will meet the situation with increased spending of its emergency funds and the hope is expressed in Washington that spending for consumption will be much larger in toto this fall than it was last fall. It is pointed out that farmers are likely to get around a dollar a bushel from their 475,000,000 bushels of wheat, taking into consideration acreage restriction benefis of 29 cents a bushel, while the short corn crop will enable all corn-collateral borrowers to pay off in full. It is now certain that hog control measures plus benefits will give better hog prices, and while the sacrifice of cattle in the west is driving beef prices down at the moment it means better prices later for cattle in the regions which still have feed. So, one way and another, Washington likes to figure that business will be good this fall, that is, relatively good.

Official Washington talks about avoiding disastrous inflation, but unofficial Washington of the brain category which has not got into the trust considers that inflation in one form or the other is virtually inevitable—only question being when it will set in. Expectation is that it will be delayed until 1935 but something may happen to touch it off this fall. The fear which now makes moneyed people hold onto purse strings might with a little aggravation prompt them to transfer their scheme of conservation of resources from cash to goods.

Inflation is considered as staged by—

(a) Bank reserves approaching an excess total of 2,000 billions.

(b) Political pressure for inflation, to which the President always yields in part.

(c) Short crops and increased agrarian demand for higher prices.

The percussion cap which will set it off next year is foreseen as possibly a bumper crop year combined with good prices, plus a general stirring of renewed business enterprise. But an inflationary and passing price boom is just what the long-time policy of the Administration seeks to avoid. Hence you may expect continuation of Presidential policy of swings from right to left and back again.

Radicals here are deeply depressed by the Kennedy headship of the Stock Exchange Commission. They resent it so greatly that some of them are declaring that the whole New Deal innovation is morally done for, if not deliberately ditched. But it would be well for the hard-boiled and die-hards not to jubilate over the disappointment of their enemies. Whether one likes it or not, the sober fact to be kept in mind is that the President never loses sight of the ultimate goal of economic and social reconstruction. He has no intention whatever of letting America drift back to the old ways. No business man should allow himself to dream of an early return to the business freedom he formerly enjoyed.

Prevailing strikes are playing into the President's policy of stimulated evolution. It was his original intention to apply the famous 7(a) clause of the Industrial Recovery Act in such a manner as to give the American Federation of Labor control of all labor organization. That intention was considerably blocked in practice, causing resentment in the A. F. of L. and joy among the communists and other labor radicals. The longshoremen's strike on the Pacific Coast fell into the hands of the radicals and threatened local civil war when it developed into a general strike in San Francisco. The moral for employers, according to the Administration point of view, is to make peace with the A. F. of L., accept the growth of labor industrial power as inevitable and keep capital-labor relations from becoming a focal point of revolution.

N R A's present demoralization is causing much glee in some quarters and it is probably fair to say that in many respects it has degenerated into a nuisance, but thoughtful business leaders are concerned lest the present irritation with it, which has resulted in complete disappearance of all business enthusiasm for it, plus contempt, will lead to a swing back toward abandonment of all efforts in the direction of an ordered economy. A secret meeting of active business executives was held in Washington last week to consider what business should do—

(a) to make N R A as useful as possible during its remaining ten months of existence.

(b) to shape its successor as a medium of co-ordinating the economic life of the country, with a view to preventing the excesses of production and speculation which are held responsible for the booms which always bring disastrous reactions.

The general theory is to take the N R A code idea of self-government in business and build up national business self-control under due governmental supervision, with the general objective of administering business for social betterment as well as for stability. The thought is that business needs a brain trust if the benefits of individualism are to be preserved.

Compliance, particularly in respect of prices, is the problem that is worrying the business executives who are standing by N R A, and they are infuriated by the destruction of price controls caused by N R A's apparently conflicting orders and Presidential interference. The new method to procure compliance through the courts is to have General Johnson proclaim an emergency with regard to the enforcement of the Industrial Recovery Act in general and of a code in particular. Thereupon the Administrator issues an order establishing the minimum prices as being "reasonable." This has been already done in the cases of several cost-protection codes. The point is that the price is determined by the Government instead of the code authority, and will, therefore, it is thought, be enforceable in the courts. In fact, the Attorney General's office had given up hope of enforcing minimum prices determined by codes.

Government is now interfering or colliding with business on so many facets that however benign general intentions may be of tempering the wind of reform to the present condition of the shorn lamb of business some dismaying event is always bobbing up. There is no co-ordination—only a flock of co-ordinating commissions and committees. Congress passed the Frazier-Lemke law in opposition to the President's wishes. Political considerations compelled approval. Unless the Supreme Court knocks it out, it is more than likely that the principle will be extended to urban home mortgages. The very thought of such a thing is paralyzing to lenders, to policy holders and life insurance companies. Administration wants to bring down railway rates to help boost the housing program, in line with the reductions of prices of building materials now being demanded of industry, but here is the railway pension act which will cost the railways 66 million dollars as a starter, while code prices add 137 million dollars to costs and wage restoration will put on 156 millions more by April, 1935. As a long-time undertaking reduction of electric power rates is an appealing thing but when it is advertised in the midst of heroic efforts of the utilities to readjust themselves to reduced consumption and already lowered rates it doesn't help restore that confidence for which the administration prays.

Members of the Stock Exchange Commission insist that this fall will, nevertheless, witness a marked revival of securities issues.

If it doesn't, further extension of the activities of the Government as universal investment banker may be expected. This is just what some of the New Dealers want. They would like to see the amount of capital going into producers' goods strictly controlled, so as to swell consumption to the utmost limits of national purchasing power. Any surplus remaining would be classified by the Government for non-productive public works through taxation or borrowing.

Hearings on the proposed reciprocity treaty with Cuba, first of the new tariff treaties to come out of the Tariff Commission and the State Department indicate that all the hearings will be mostly gestures. The Government has pretty well made up its mind how it is going to admit $200,000,000 more of foreign goods, mostly manufactured commodities, annually, and it will take a lot of squalling to disturb its program. No industry which has an ad valorem tariff protection of 50 per cent or more may hope to escape if the Government can see a chance for a trade that will reciprocally open foreign markets. The main principle of the treaties is to open our markets for foreign manufactured goods in return for their markets for our agricultural surpluses.

Political outlook is obscure, but the Farleyites, who go deeper and deeper into practical politics as the Utopians go higher and higher into the stratosphere of economic dreams, figure that the drought and the business upsets will so swell the current of public expenditures this fall that any disappointment there may be over business conditions will be offset by shots in the arm. On the other hand, if business should suddenly decide to throw a fit of activity, the Administration will claim and get the credit. Cautious judgment here is that the Democrats will gain in the next Senate and will not lose more than thirty seats in the House.

President Roosevelt has had the breaks with him on his vacation trip. He missed the strike vortex in San Francisco, and has been off the spot as irritation with N R A has grown into a storm. When he gets back he will be in a position to begin to forget about N R A, just as he has forgotten about raising prices by buying gold at artificial prices. But he can not long be passive or negative in these times. Look for some sensational or at least dramatic moves when he hits the drought stricken Northwest on his way back to Washington.

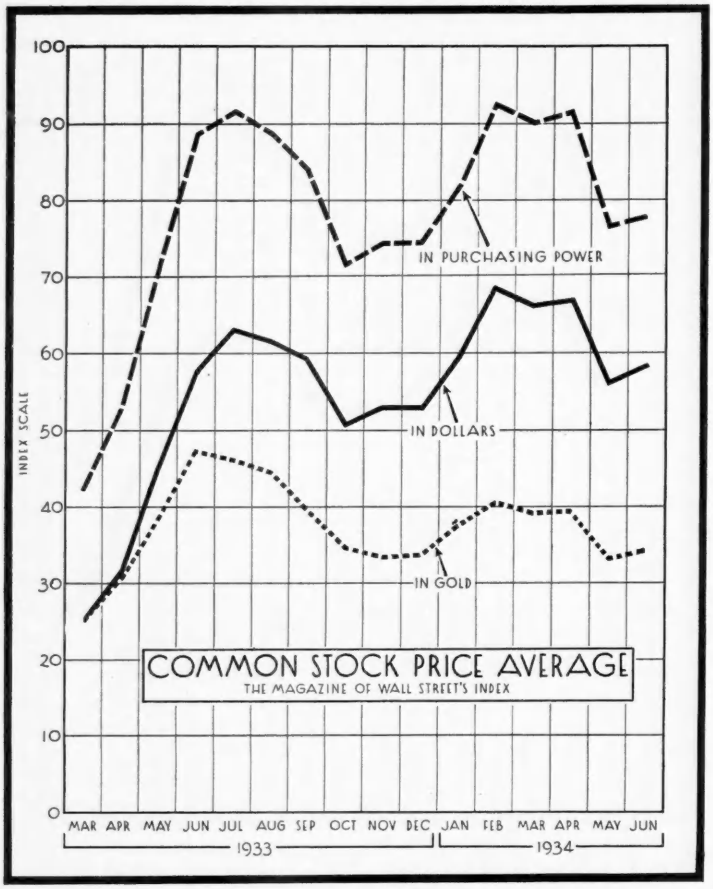
Agricultural department economists and scientists consider the devastating drought in the Missouri River

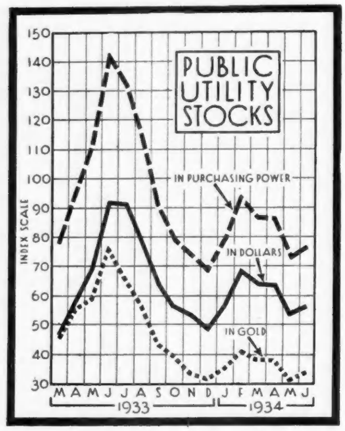
(*Please turn to page* 423)

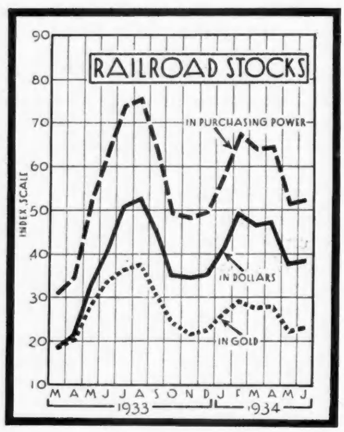
Three Kinds of

Graphic Comparison of Gold, Paper Dollar and Purchasing Power Prices

Conversion of security prices, farm products and payrolls into gold values and expressed in terms of the purchasing power of the dollar reveals significant changes that have taken place recently in the real status of all stockholders, bondholders and wage earners.







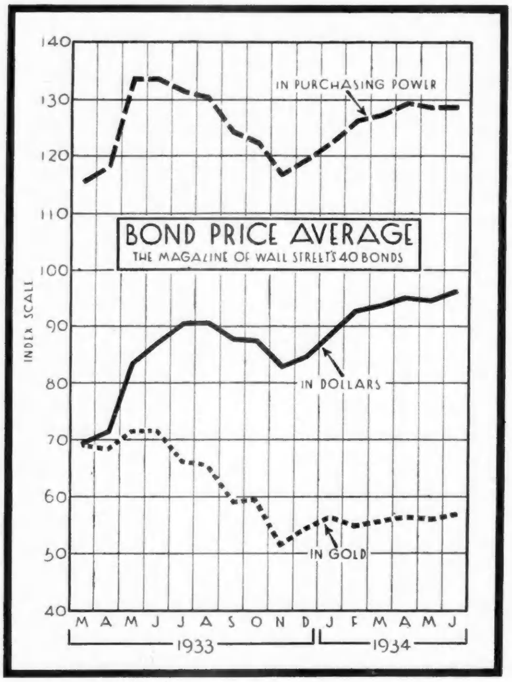
BECAUSE to the average citizen the dollar of today is still very much the dollar of pre-Rooseveltian times, he is apt to forget that in reality some very startling things have happened to the unit in which he measures his receipts, expenditures and assets. In an attempt to present things, not as they seem to be, but as they actually are, the accompanying graphs have been prepared. They bring out some extremely interesting points. In the first place it will be noticed that common stocks as a whole have proven so far the protection against inflation that was thought to be the case. Translating stock prices into purchasing power it is obvious, despite market declines, that the common stockholder has today a bigger command over goods, services and even gold than he had a year ago last March. In other words, the purchase of common stocks then has proven to have been a shrewd move in every way.

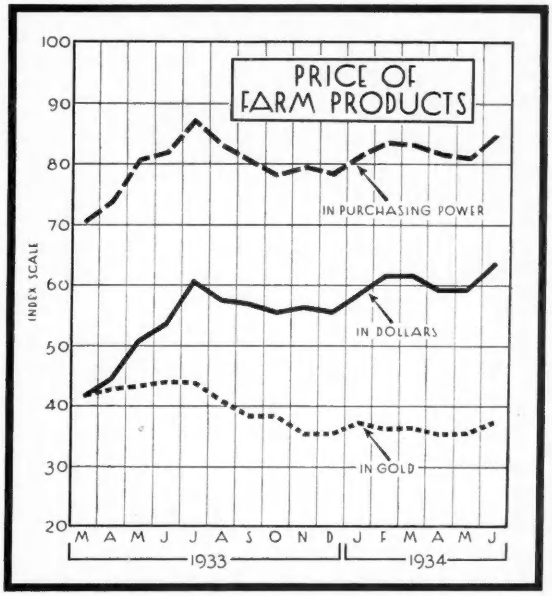
Yet, although this is, of course, true, the smaller graphs on this page bring out the fact that there were at least two extremely important groups of common stocks that fared worse than the average. The holder of public utility stocks actually has suffered, in so far as his investment carries command over fewer goods and services and less gold than in March, 1933. While the railroad stockholder did better than his brother in the utilities, he nevertheless did not fare as well as others. This experience clearly bears out previously advanced theories that neither the rails nor the

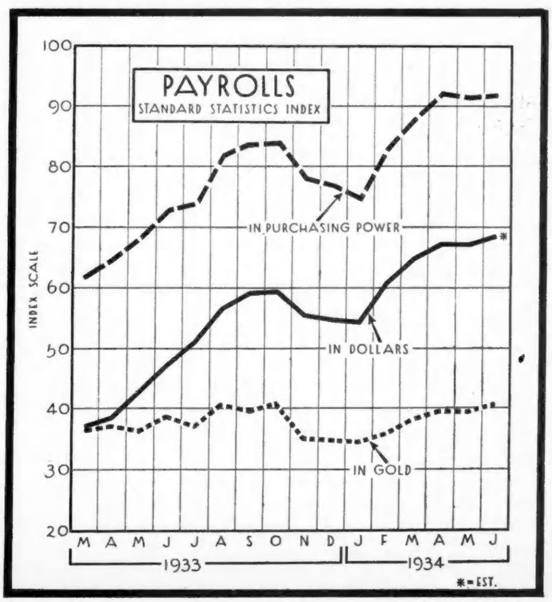
Prices Compared

By Henry Richmond, Jr.

Most groups have benefited so far. Their command over goods and services, while not as large as it once was, nevertheless is still greater than that of eighteen months ago. It will be noticed, however, that the public utility holder has lost purchasing power.







public utilities would be satisfactory holdings in the event of a general commodity price rise because of the relative inelasticity of their selling prices (rates).

It is perhaps strange to note that the average bondholder today has a greater purchasing power than he had in March, 1933. In gold, of course, he is worse off. He would also have been worse off in terms of purchasing power except for the fact that average bond prices were then very low. Had this been an index of gilt-edged bonds they would have shown the loss of purchasing power clearly.

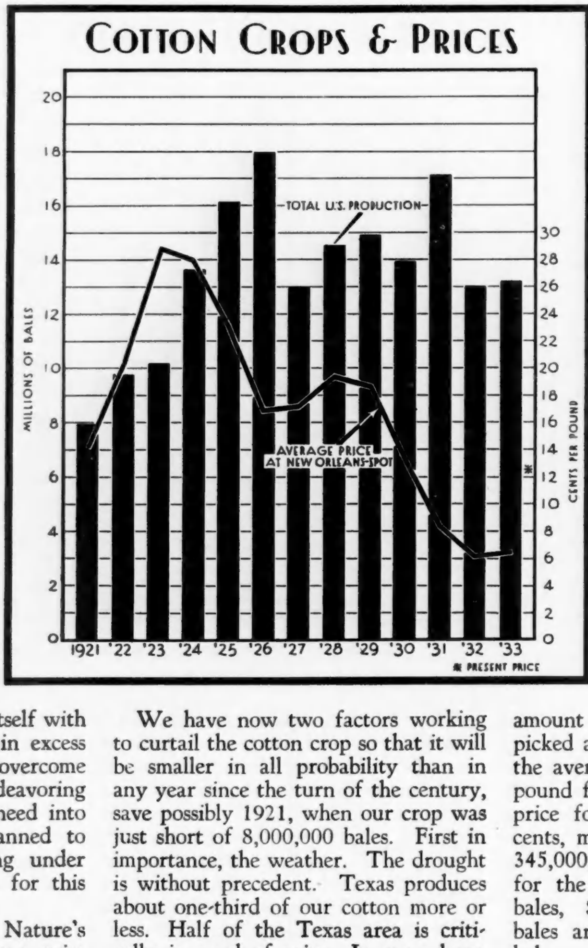
From a price standpoint, the farmers as a group are now better off than a year ago. Yet, one must remember that the reverse may actually be true of a single individual, for the reason that he has less to sell this year. Likewise, the index of payrolls as a whole would need to be adjusted for the increase in employment before it would be possible to draw any conclusions as to the relative prosperity of the individual worker.

Perhaps the most interesting point to note through the whole series of graphs is that they show a greater degree of real prosperity last summer than has been the case at any time since.

Higher Prices for Cotton

Nature and Planners Promise Smallest Crop in Years —Competition Increases for Our Greatest Export Commodity — Varying Effects on Business in the South

By C. S. Burton



THE important factor in cotton just now is the crop that is in the making. Whether the attitude assumed is based upon sound and logical reasoning or is merely the result of years of habit formed during a time when expansion was the first order of the day, the cotton world, during the crop season, is much inclined to disregard all the elements that go to make up demand and consumption and pin its faith wholeheartedly on production—on crop estimates, weather reports and the activity of the boll weevil.

There never has been a period since the days of our Civil War when the cotton industry, from the planter to the dry goods retailer, faced such an abnormal set of conditions.

Last year the world found itself with a supply of cotton on hand in excess of effective demand. To overcome this condition, instead of endeavoring to turn or transform actual need into effective demand, it was planned to create a scarcity by plowing under rapidly-maturing cotton, and for this year, limiting acreage.

Our efforts to regulate Nature's bounty must have roused some grim irony. One fancies Dame Nature soliloquizing: "If it's a shortage in your crops you want, you've no need to fash yourselves and while you see fit to rebel at plenty, you may not find the other choice any too comfortable; in the phrase of the day, I'll just turn on the heat. Perhaps later it may possibly dawn on you that the weather lies outside the domain of the economic planners."

We have now two factors working to curtail the cotton crop so that it will be smaller in all probability than in any year since the turn of the century, save possibly 1921, when our crop was just short of 8,000,000 bales. First in importance, the weather. The drought is without precedent. Texas produces about one-third of our cotton more or less. Half of the Texas area is critically in need of rains. In some large areas it is already too late for the crop to be saved, even though cotton resists drought to the very last, as a true offspring of the desert should. As against the drought in Texas, the cotton states east of the Mississippi have had an excess of showery, cool weather, encouraging the boll weevil to do its very utmost.

Turning to our own efforts to curtail; the cotton planter will probably hail the Bankhead law as a wonderful life preserver. Under its workings the tax-free salable crop is to be limited to 10,400,000 bales, and to do this, acreage has been reduced from the 40,798,000 acres planted last year to 28,024,000 planted this year. This last figure is the Agricultural Department's first estimate issued July 9.

Normal abandonment is about 2½ per cent; that it will be very much greater than normal this year is already inevitable, but calling it 5 per cent and allowing one-third of a bale to the acre—and with due regard to weather that estimate is liberal enough—we may not count upon a crop of more than 8,750,000 bales. Figuring very roughly at 15 cents a pound this crop would amount to $656,250,000. In 1926 we picked a crop of 17,755,000 bales and the average price was 15.15 cents per pound for the season; and the average price for the following season 20.42 cents, meaning a gross return of $1,345,000,000 for the 1926-27 crop and for the 1927-28 crop of 12,783,000 bales, $1,305,144,300. Our cotton bales are figured 500 pounds to the bale.

To the cotton planter who experienced the thrill of a bumper crop and a top price, the payments already made and to be made, perhaps seem small recompense no matter how the consumer who pays the processing tax may look at it.

Rental payments by the AAA made to cotton farmers up to July 11 totaled $30,301,061.01; checks sent 811,660 payees. The total payments

for the year are estimated to run to $130,000,000, of which $20,000,000 to $30,000,000 is to be by way of parity payment. The parity payment is meant to make up any existing difference in the purchasing power of the farm product and the price level of the items which the farmer must buy.

There still remains a world which uses about 25,000,000 bales of cotton each year; there still remains a hope that actual need may find a way to resolve itself, as it should, into effective demand; when, as and if these factors become alive, the dole of $130,000,000 would not seem important to our cotton fields come again into their own.

The price trend is upward. Cotton has moved up $6 a bale or more during the past month with consumers taking little part in the market; in other words, traders have been simply marking up the price on their collective judgment of the future. As this is written, middling upland cotton is quoted at 13.15 cents per pound. Those fortunate planters who will have cotton to sell confidently expect to get 15 cents or better for their crop.

The lower Mississippi region,—the Delta,—has the best prospect. They followed the A A A program. The Delta is the one section of our cotton growing area that has had good weather. As a result they get Government checks with one hand and pick a good crop on the restricted acreage with the other. A short crop generally and higher prices will mean a prosperous year for these fortunate ones; elsewhere with the reduced acreage and the drought, Government checks will no more than serve as life preservers. Business throughout the South will have to be spotty. Memphis will be preparing for a prosperous fall volume of merchandising. Some Texas and Oklahoma cotton counties will be struggling to get through the winter with the least possible expenditure, but 15-cent cotton, whether by reason of drought and heat or through rentals of land to the A A A will still be the one bright harbinger of hope.

A somewhat longer range view and one of much more importance than just a mere look at the crop prospects for this year takes in the developments abroad. In every latitude where the cotton plant will thrive, attention is concentrated on the "scarcity" experiments of the United States.

The present situation may be summed up, in a way, by saying that our present program merely emphasizes or accentuates one already existing, in that the nationalistic policies now prevailing force each nation to produce its own raw materials, foods, textile fibers or minerals where it can and to strive for an exportable surplus if at all possible. Especially is this true of cotton because it is a cash item in world trade, stands shipment into any latitude and does not deteriorate in storage.

Notwithstanding our endeavors to make cotton so scarce that consumers must bid up for the fiber, it is not to be supposed that we contemplate casting our domination of the world cotton market overboard. One does not know what is in the mind of the planners. Indeed it has been rudely hinted that the planners themselves do not know —still and all it is with our cotton that we pay for silk, which comes from Japan and normally is our chief item of import; we pay for rubber with cotton; the tea we drink we pay for with cotton. There is no possibility of curtailing cotton to the basis of domestic consumption, as might possibly be done with wheat. There is no way of building a tariff wall against cotton, for it moves only one way with us—outward bound.

We are constrained therefore in this one important instance to put aside the idea of nationalism, of self-sufficiency and, willy-nilly, study a bit of foreign trade and possible foreign competition, and whether or not we are to insist upon nourishing the competition by our "scarcity" program.

There is nothing new in the desire of lands abroad to make themselves independent of American cotton. We have held our place partly because of quality, partly because of quantity, partly because of dependability, and among other things because of Nature's handicaps in other lands.

Let us look at the table of cotton areas abroad. This is a recent tabulation made up by the Foreign Agricultural Service Division of the Department. It is based upon official figures and the data of the International Institute of Agriculture.

It is to be noted that India is our most important competitor in quantity. In quality Indian fiber is not quite the equal of our own, but it is usable. It goes to her own mills and to Japan. The problem of increase lies in the teeming millions of population. They wear cotton, not always a voluminous yardage at one time, but also they must eat, and every foot of land is needed to produce food. India does not have to have economic planners to bring about "scarcity." Under these conditions there is no great threat of Indian cotton to displace our own when the existing surpluses shall have been absorbed.

Egypt's cotton is a specialty; her acreage for the present is limited to the Nile Valley and the capacity for irrigation. There are some ambitious projects under way to drain the swamps of the Sudan, avoid huge evaporation and add materially to the flow of the Nile, but these plans take much money and labor and time. Egyptian cotton is a long fiber used by thread spinners and tire makers.

Brazil grows partly tree cotton, a rough fiber. The country is not yet self-sufficient as to cotton goods but its textile industry is expanding.

China could grow much more

(Please turn to page 421)

Cotton: Area in Specified Countries, 1920-21 to 1932-33

	United States	India	Egypt	Brazil	Estimated World Total Including China
	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres
1920-21	34,408	21,339	1,897	948	*
1921-22	28,678	18,451	1,339	1,420	57,200
1922-23	31,361	21,804	1,869	1,512	65,100
1923-24	35,550	23,631	1,780	1,550	71,300
1924-25	39,503	26,801	1,856	1,574	79,900
1925-26	44,390	23,403	1,998	1,320	86,700
1926-27	44,616	24,822	1,854	986	82,800
1927-28	38,349	24,761	1,574	1,297	76,200
1928-29	42,432	27,053	1,805	1,283	84,600
1929-30	43,242	25,922	1,911	1,436	85,100
1930-31	42,454	23,812	2,162	1,660	84,100
1931-32	38,705	23,722	1,747	1,982	80,800
1932-33	35,939	22,485	1,135	1,538	76,500

Foreign Agricultural Service Division. Official sources and International Institute of Agriculture. * Comparable data not available.

Why Utility Income is Lower While Consumption Gains

Higher Costs, Rate Reductions, Threaten Investors' Return

By Francis C. Fullerton

THE discouraging market action of even the more favorably situated public utilities in recent months would indicate something fundamentally wrong in the present status and future outlook for the companies which comprise this great industry. The situation, indeed, is something of a paradox, for on the surface at least the industry shows signs of a moderately strong recovery. The gain in electric power output has proceeded so far that it has recently approached within 2 per cent of the 1929-1930 peak levels. The sales of electricity during the first half of 1934 exceeded by 12 per cent the sales during the corresponding period of 1933.

Very few industries can show recovery results equal to this. Yet, despite the inference of a sound situation which is thus presented from the production figures, gross earnings of the industry have responded only feebly, while net earnings for many utility systems have continued declining. What is wrong with the situation?

Rising Efficiency of Utility Operations

	Pounds of Coal Used per KwH.	Operating Ratio. (ratio of operating expenses to gross revenues)
1919	3.2	....
1920	3.0	....
1921	2.7	....
1922	2.5	58.5%
1923	2.4	....
1924	2.2	....
1925	2.1	....
1926	1.95	....
1927	1.84	50.0
1928	1.76	48.6
1929	1.69	48.2
1930	1.62	47.4
1931	1.55	45.7
1932	1.50	45.3
1933	1.48	45.6

Changed Status of Utilities

The answer is that these conditions reflect a fundamental change which is occurring in the status of the public utility industry. The "New Deal" has a different conception of the industry from that of the days of "rugged individualism." Motivated by the philosophy of a "more abundant life," the Administration has embarked on many experiments, the scope of which will unquestionably bring about many radical changes in the economic fabric of the country as a whole, and particularly in such public enterprises as the railroads and utilities.

The policy of the Roosevelt Administration, so far as it has been disclosed toward the public utility industry embodies several fundamental departures from past practice.

The former policy of regulation, implicit in legislation on the subject and explicit in a number of higher court decisions, has long recognized public utility enterprises as natural monopolies in whole or in part, and placed them under administrative agencies to prevent the abuse of this position. The chief principle of this system was the recognition of the right of such companies to earn a fair return upon a fair value of the property devoted by them to the public service.

The present Administration departs from this traditional policy when it finances municipalities to enter into competition with private companies through Public Works Administration loans made at a low rate of interest and providing that a further advance equal to 30 per cent of the amount of the loan need not be repaid. Also, such projects as the Tennessee Valley Authority operate with Government funds, *on a tax exempt basis* to compete with private companies.

The "New Dealers" justify the Administration's attitude toward the public utility question because it has as its object the lowering of present rate schedules so as to bring about the widest use of electricity as a labor saving medium. Thus, the Federal Government's Tennessee Valley project will make electricity available at extremely low rates and thereby stimulate its widespread use for domestic purposes. Intentionally or otherwise, the effects of this experiment will permeate to adjoining areas served by private companies, tending to cause sharp rate reductions, and sooner or later effect wide scale rate reductions elsewhere in the country.

The creation of the National Power Policy Committee constitutes the final big move on the part of the Administration to bring about an adjustment of utility rates and services. This Commitee will center its program on efforts to bring about co-operation between public and private utility services, with a view toward orderly readjustment of rates on a national scale.

Pincers Action Feared

The prospective liquidation of the rate structure is probably the major factor of uncertainty confronting the public utility companies. This attitude favoring deflation of electric rates is perhaps justified by reason of the reduced purchasing power of the people, but it is in direct opposition to the Administration's policy favoring higher commodity prices, with the 1926 level as a goal. As a matter of fact, relative to the 1926 level, the present price

of electricity and the price of commodities are practically on an equilibrium. The average electric rate for household use at present is approximately 23 per cent below the 1926 rate, while the average price for all commodities is about 27 per cent below the 1926 level.

A very unfavorable reaction on the private public utility companies will unquestionably result if from this point on commodity prices continue upward to the 1926 level under the aegis of Government sponsorship, and further sharp declines are forced in electric rates. This means appreciably higher costs in the face of lower gross revenues, a set of circumstances which very few companies can withstand without dire effects to their continued solvency. It is true that many of the sound operating companies were able to come through the trying period of high costs immediately following the World War without serious consequences, and they may be able to do so again, but the present situation appears to present a more serious potential threat than existed at that time.

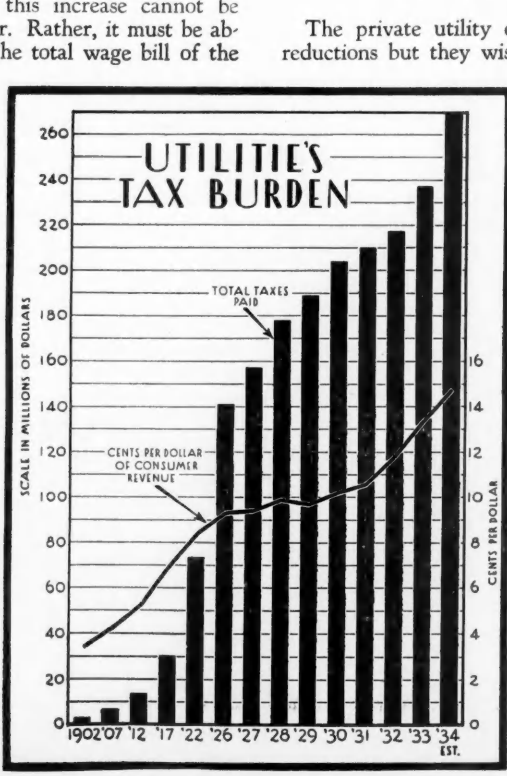
Rising Costs

The costs of operation have already increased sufficiently to cause worry to utility managements. Rising commodity prices mean higher fuel costs and larger maintenance expenditures. About two-thirds of the electricity in this country is generated by steam and therefore coal and fuel oil are the chief raw materials in the cost of producing energy. One large utility system reported recently that its fuel bills are about 20 per cent higher than in 1933. In the case of manufactured gas companies, this increase is partly offset by higher prices received for by-products such as coke and ammonia. Fuel costs, of course, do not enter into the cost of generating hydro-electric power.

Wages and salaries constitute another important item entering into the operating expenses. Under the terms of the N R A the wage bill has shown a sharp increase, and unlike in most other industries, this increase cannot be passed on to the ultimate consumer. Rather, it must be absorbed by the utility company. The total wage bill of the utilities in 1933 approximated $324,000,000, equivalent to 18.3 per cent of the total revenue obtained from consumers.

Probably the most disturbing item of expense for the industry is the tax bill which must be met. Here again the politicians have singled out the utility industry and have inflicted upon them an ever increasing and crushing burden. That the industry has been discriminated against in this respect is apparent when we consider that taxes for the public utility industry have increased 44 per cent since 1929, which contrasts with a 37 per cent decrease in railroad taxes between 1929 and 1933 and a drop of more than 30 per cent in farm property taxes during this period. Taxes are now consuming more than 14½ per cent of the revenues of the utility companies (see accompanying table)

Finally, there may be in store for the utilities a bitter pill similar to the one recently administered to the railroads in the Railroad Retirement Act signed by the President in June, 1934. This measure provides for compulsory annuity payments based on 4 per cent of the total annual compensation charged to operating expenses in addition to 2 per cent to be paid by the employees themselves. The initial costs under this measure are placed at approximately $60,000,000 annually, or almost double the $33,520,000 annual payment made in 1933. Such a project presents a serious problem, especially in the instance of the marginal earning carriers. If a similar measure is passed in the next Congress for the utility industry, a serious situation may similarly develop.



Such prospects naturally imbue most managements with considerable caution. This, coupled with decreased net income, is not conducive to dividend resumptions or increases. In fact some further reductions than those already announced may take place to add to the current uneasiness of the holder of public utility securities.

Yet barring a wholesale government ownership campaign, the outlook is not without its more encouraging long range features. Unfavorable factors currently predominate but the public utility industry is still a dynamic one with potentialities of considerable further growth. This is especially true of the domestic or residential field, which has been showing a steady increase in consumption per customer, stimulated by steadily declining rates, mostly of a voluntary nature on the part of the utilities.

Back in 1915, the average consumption per residential customer was only 260 kilowatt hours per year, but this increased to 339 kilowatt hours by 1920, to 396 kilowatt hours in 1925, to 548 kilowatt hours in 1930 and to 605 kilowatt hours in 1933. The average rate in the meantime dropped steadily each year from 8 cents per kilowatt hour in 1915 to 6.04 cents in 1930 and to 5.49 cents in 1933.

Large Expansion Potentialities an Offset

The private utility companies are not adverse to rate reductions but they wish to do this on a gradual scale as they have in the past, and thus insure themselves against the possibility of a sharp drop in earnings. They know from experience that lowering of rates stimulates the use of electrical appliances and equipment, but also that it takes time for the formula to work. One private utility company through a special low rate inducement plan increased consumption nearly 3¾ times. From the standpoint of revenue, the increase in load much more than offsets the lower rate. The utility companies are entirely in accord with the "more abundant life" philosophy of the Administration, but they wish to proceed on a surer basis than the one offered by immediate drastic cuts in rates.

The continuation of the steady expansion in the residential load may be seen in the increase of 1,000,000 electric refrigerators during 1933, (*Please turn to page* 415)

Mid-Year Dividend Forecast

Part I—Railroads, Public Utilities, Equipments

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters A, B, C and D are applied in rating the industry; and the numerals 1, 2, 3 and 4 in rating the position of the company in that industry. Thus:

INDUSTRY	COMPANY
A—In a strong and expanding position.	1—Large current earnings—dominant in field—strong financially.
B—In a fairly strong and stable position.	2—Good potential earnings—important company—good financial position.
C—Depressed but prospects for recovery moderately favorable.	3—Earnings still relatively low — fair financially — business volume moderate.
D—Depressed—declining profits—no signs of nearby improvement.	4—Doubtful outlook — weak financial position—unprofitable operations.

The second section of this feature will appear in the succeeding issue. It will cover the position and prospect for leading companies in such major industries as:
Steel, Metals, Petroleum, Merchandising, Automobiles, Accessories, Foods, Chemicals.

IN a recent study of the 650 stocks which are most actively traded in on the New York Stock Exchange, it was found that 43½% are now paying dividends. This is a marked gain over last year at this time when only 33% of the issues were making payments. The trend is thus, distinctly in the investors' favor.

It is gratifying that this is so for in these times, when many are holding common stocks with the objective of hedging against possible inflation as well as in anticipation of a substantial and enduring business recovery, the question of income on one's investment is of paramount importance. Neither inflation nor the degree of recovery for which we are all hoping is expected as an immediate development; therefore, a fair and safe return over a considerable period is of more than usual importance for a very large number of stockholders. For those who are partly or wholly liquid, and perhaps searching for opportunities to acquire selected holdings, a matter of dividends is also of considerable moment. Those companies which are in a position to shortly resume payments or whose recovery has progressed to a point warranting an increased rate of payment or the declaration of an extra dividend, and which can be acquired in times of market weakness, obviously are desirable for the profit possibilities inherent in them.

It is in just such a situation that THE MAGAZINE OF WALL STREET'S Mid-Year Dividend Forecast can be of maximum utility and value.

The following tables have been prepared with the hope of affording the readers an easy and up-to-date reference to the position of leading stocks in the most important industries. The current earning position is shown for each company, compared with the previous year, together with the dividend rate, or the payments made so far this year. Where recent earnings have not been reported, careful estimates are made. In addition, the prospects for a resumption of dividend payments, or the outlook for a dividend increase or decrease, is indicated clearly by suitable comment.

While the dividend outlook is the primary news of this feature, it has also attempted to show the investment merit as well as the speculative possibilities of each stock by means of the rating system which this Magazine employs and which is also utilized in THE MAGAZINE OF WALL STREET'S Adjustable Stock Ratings which are published monthly.

This method of rating has an advantage of making due allowance for the trend of the industry as well as the company's individual outlook and its possibilities in that industry. Readers should find this helpful in revising present holdings or in the selection of new investments for the profitable employment and protection of their funds.

Lower Rates, Higher Costs and Taxes Offset Utility Gains in Output

Governments Compete with Private Capital

As is pointed out in the article on page 394, there is something wrong with a situation from an investor's standpoint when a greater output fails to result in a larger gross and brings, moreover, only a drastic decline in net. The reasons, of course, for this unfortunate utility situation include a widespread political determination to force rates lower, a like political determination to squeeze more and more taxes out of utility companies, and finally the greatly increased costs under which the industry is now operating. Under such conditions it is hardly surprising that the utility page of the Dividend Forecast stands out less brightly than in the past.

Position of Leading Public Utility Common Stocks

Company	Earned per Share 1933	Earned per Share 1934	Price Range 1934 Low	Price Range 1934 High	Recent Price	Dividend	Yield %	Investment Rating	COMMENT
American Gas & Electric	1.75	1.79(1)	18⅝	33⅜	23	1.00+4% Stk.	8.3	C-2	Among the best of holding companies. Dividend reasonably safe.
American Power & Light	Nil	Nil(1)	4	12¼	4	....	....	C-3	Output up, but expected increase in earnings offset by other factors.
American Tel. & Tel.	7.37	3.32(2)	110	125¼	110	9.00	8.0	B-2	An unearned dividend cannot be paid for ever and, while company has ample resources, a cut in the rate is inevitable sooner or later unless there should be a pick-up in earnings.
Am. Water Works & Electric	1.22	1.43(1)	14½	27⅝	14	1.00	7.1	C-2	Present dividend appears fairly safe.
American & Foreign Power	Nil	NF	4½	13¾	5	....	....	C-4	Thoroughly speculative. Lower exchange value of the dollar helpful.
Associated Gas & Electric "A"	Def	NF	7/16	2⅜	1	....	....	C-4	Future quite obscure.
Brooklyn Union Gas	6.18	2.76(2)	60⅞	80½	60	5.00	8.3	C-2	Rate reductions and increased costs lower margin for dividends.
Columbia Gas & Electric	0.51	NF	7¾	19¼	8	....	....	C-3	Recently passed common payment. Financial position improved.
Commonwealth Edison	4.57	2.26(3)	34½	61½	48	4.00	8.3	C-2	Little reason to expect that dividend will be reduced in the near future.
Commonwealth & Southern	Nil	0.01(1)	1¾	3¾	1	....	....	C-4	Common dividends are a distant prospect only.
Con. Gas, El. Lt. & Pwr. of Balt.	3.91	2.25(2)	53	68	65	3.60	5.6	C-2	Strong company with well-maintained earnings. Dividend seems safe.
Consolidated Gas of New York	3.32	2.57(6)	29	47⅜	30	2.00	6.7	C-2	Continuance of even current reduced rate depends upon future attitude of political authorities.
Detroit Edison	4.83	5.85(1)	63½	84	70	4.00	5.7	C-2	General industrial activity in Detroit region helps earnings. Dividend reasonably safe.
Electric Bond & Share	0.44	0.39(4)	10⅝	23½	11	....	....	C-3	Re-instatement of common payments doubtful over the near future.
Electric Power & Light	def	def(1)	3½	9⅝	4	....	....	C-4	Attractive only as an out-and-out speculation.
Federal Water Service "A"	Nil	Nil(4)	1½	4	2	....	....	C-4	Quite speculative.
International Hydro-Electric "A"	2.32	2.46(4)	3¾	9⅛	4	....	....	C-3	Possesses a degree of speculative merit.
International Tel. & Tel.	0.11	0.14(5)	7½	17¾	8	....	....	C-3	Doing somewhat better and reduces indebtedness.
Louisville Gas & Electric "A"	1.76	1.94(1)	13	21	13	1.50	11.6	C-2	Dividend reasonably well protected.
National Power & Light	0.90	0.95(1)	7⅝	15½	8	0.80	10.0	C-2	Common payment only fairly well-assured for the near future.
Niagara-Hudson Power	0.66	0.75(6)	4⅞	9¾	5	....	....	C-2	Rate reductions effective and pending plus higher taxes dim prospects.
North American	1.19	1.08(6)	12	25¼	13	0.50+4% Stk.	7.8	C-2	Present dividend appears reasonably well-assured.
Pacific Gas & Electric	1.61	NF	15½	25½	16	1.50	9.4	C-2	Margin for dividends has been growing smaller.
Pacific Lighting	3.28	2.27(6)	23½	37	28	3.00	10.7	C-2	If a reduction in common payments is made it should be moderate.
Peoples Gas, Light & Coke	2.90	1.01(5)	24½	43⅞	25	....	....	C-2	While currently experiencing political and other difficulties, company is a potential payer of dividends.
Public Service of New Jersey	3.26	2.97(1)	31¼	45	31	2.80	9.0	C-2	Although common earnings over dividend requirements are not large, if any further reduction in the dividend rate be made, it should be small.
Southern California Edison	1.34	1.14(4)	13	22⅛	13	1.50	11.6	C-2	Reduction in common payments appears rather probable.
Standard Gas & Electric	Nil	Nil(4)	6¼	17	6	....	....	C-4	Dividend prospects are remote.
United Corp	0.24	0.09(2)	3½	8⅞	4	....	....	C-2	Must await an increase in income from investments before re-instatement of common payments is at all likely.
United Gas	Nil	Nil(1)	1⅞	3¾	2	....	....	C-4	Outlook is obscure.
United Gas Improvement	1.23	1.23(4)	14¼	20⅛	14	1.20	8.6	C-2	Enjoys remarkable record, but present common payments can hardly be considered entirely assured.
United Light & Power "A"	Nil	Nil(1)	2	5⅜	2	....	....	C-4	Prospects are uncertain.
Utilities Power & Light "A"	Nil	NF	2	5⅜	2	....	....	C-4	Dividend possibilities are not of the near-term.
Western Union	4.17	0.96(3)	31	66⅞	32	....	....	C-2	There is at least a likelihood that common stockholders will receive some distribution in the not too distant future.

(1) 12 mos. to May 31. (2) 6 mos. to June 30. (3) 5 mos. to May 31. (4) 12 mos. to March 31. (5) 3 mos. to March 31. N. F. Not available.
(6) 12 mos. to June 30.

Railroads Face Higher Costs

Wholesale Resumption of Dividends Remote but Favored Roads Continue in Strong Position

RAILROADS in 1933 came within less than $14,000,000 of earning fixed charges. Compared with the deficiency of $153,000,000 in 1932, the showing last year afforded no small measure of satisfaction to owners of railroad securities. Moreover, the fact that the greatly improved earnings were the result of only about six months of better business conditions generally substantiated the popular contention that it would require but a relatively small increase in railroad traffic to remove the spectre of bankruptcy which had been threatening more than a few carriers. It was with high hopes, therefore, that security holders viewed the prospects for 1934, for not only had the general business prospect become more sanguine but President Roosevelt had solemnly pledged a New Deal for the railroads, to the ultimate benefit of investors, shippers and workers. The nature of later events, however, has been such as to temper the business prospect and to cast doubt upon the sincerity of the New Deal for railroads, as well.

In the first five months of this year both freight and passenger traffic was substantially higher than in the same period of last year. Total operating revenues registered a gain of 18%. The most pronounced gain, however, was made by net operating income, which was 94% higher than for the first five months of 1933—a most encouraging result despite the fact that these comparisons are somewhat distorted by the fact that the comparable period last year was the poorest for the depression. At the same time there is no gainsaying the fact that the railroads have convincingly demonstrated their ability, through greatly increased efficiency, to move a larger volume of traffic with little or no corresponding increase in operating costs and to the decided advantage of net income. From this point on, however, comparisons will be much less favorable.

Aside from the fact that monthly comparisons will be made with the greatly improved showing of the roads in the latter half of 1933, a condition which will most certainly not favor current reports, there are other adverse factors which will be effective as later reports become available. Labor costs, already increased, will be further advanced by the recent restoration of 2½% of the former basic wage scale and by March 1, next, an additional 7½% will be added to payrolls. It should also be remembered that the freight rate surcharges expired last September and revenues will be correspondingly lower this year. In the case of some roads the effect of this condition will be comparatively insignificant, while in others the reduction in earnings will be rather marked. As to the probable volume of traffic in the final half of the current year, one is forced to acknowledge the presence of uncertainties of sufficient prominence to make it rather risky to make any prediction at this time. There is as yet no reason to believe that the summer slump in business will greatly exceed the bounds of seasonal limitations. The chances continue to favor further progress along the road toward recovery with

Position of Railroad Common Stocks

Company	Earned per Share 1933	Earned per Share 1934*	Price Range 1934 Low	Price Range 1934 High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
Atchison, Topeka & Santa Fe	d1.03	2.00	51½	73¾	56	2.00(a)	3.6	C-2	Strong cash position and favorable earnings outlook augurs well for another special dividend at the year-end: possibly $1.
Atlantic Coast Line	d2.91	0.05	29¼	54¼	30	....	....	C-3	Should cover fixed charges fully this year but dividends may be deferred until early 1935.
Baltimore & Ohio	d0.84	1.00	16¼	34½	16½	....	....	C-3	Trend of earnings continues toward improvement but common dividends still some time away.
Bangor & Aroostook	5.29	5.50	39½	46⅛	39½	2.50	6.3	C-1	Road is one of the leading candidates for a larger dividend, on the basis of substantial earnings and sound financial position.
Boston & Maine	d10.21	def	8	19½	8	....	....	C-4	Traffic well ahead of last year but restricted financial position must be remedied before dividends can be considered.
Canadian Pacific	d0.32	0.10	12½	18¼	13	....	....	C-3	Earnings have shown marked improvement this year and outlook is favorable for remaining months but dividends not imminent.
Central R. R. of N. J.	d8.42	0.75	59	92	59	....	....	C-2	Current improvement in traffic presages full coverage for fixed charges. Little likelihood of dividend prior to 1935.
Chesapeake Corp	3.69	3.75	34	48⅞	42	2.50	6.0	C-1	Earnings on Chesapeake & Ohio common held by company provide ample coverage for dividends and would warrant a moderate increase.
Chesapeake & Ohio	3.69	4.00	39½	48⅝	44	2.80	6.4	C-1	Sustained earning power coupled with strong financial position would warrant an increase to at least $3 in present dividend.
Chicago, Milw., St. Paul & Pac.	d17.36	def	2¾	8½	3	....	....	C-4	Road hard hit by drought and will be fortunate to fully cover fixed charges. Shares highly speculative.
Chicago & Northwestern	d5.96	def	5⅛	15	6	....	....	C-4	Although the road will do better this year, full measure of improvement retarded by drought conditions. Finances restricted. Dividends remote.
Chicago, Rock Island & Pacific	d19.66	def	2	6¼	2	....	....	C-4	Increased gross absorbed by large maintenance expenditures. Road may not earn more than 50% of fixed charges this year.

the advent of the fall months, but whether the scope of the upturn will be sufficiently broad to permit the majority of carriers to register any considerable gain over 1933 must remain a moot question. In the case of a number of roads, earnings will be restricted by the effects of the drought and in others the effects of excessive industrial activity in the earlier months of recovery will be revealed.

As for the New Deal for the railroads, there hasn't been any. It is true that the weaker roads are being succored by the R F C, but despite the sincere efforts of Co-ordinator Eastman, the many constructive suggestions made by him have been ignored. Necessary legislation to equalize the conditions between railroads and competitive transportation media was not even introduced in Congress, nor has the necessary legislation been proposed which would facilitate the co-ordinating and merging of railroad facilities. In fact, it would appear that it was the intention of Congress to further burden, rather than relieve, the railroads, judging from their action in passing the compulsory pensions bill. This piece of legislation arbitrarily imposes an additional operating cost of $66,000,000 annually upon the railroads. There are many who profess to see in the policy of advancing Government funds to railroads, on the one hand, and burdening them with increased costs on the other, as a subtle attempt to strengthen the hands of those who advocate Government ownership and operation of the railroads. Perhaps they are right.

(Please turn to page 422)

Position of Railroad Common Stocks (*Continued*)

Company	Earned per Share 1933	Earned per Share 1934*	Price Range 1934 Low	Price Range 1934 High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
Delaware & Hudson Co.	3.52	3.50	40¾	73½	42	....	....	C-2	Railroad revenues 35% ahead of last year in first 5 mos. Reported to have made sizeable profit on New York Central "rights." Early dividends not expected.
Delaware, Lackawanna & Western	d1.77	def	16½	33¾	18	....	....	C-3	Current earnings will show considerable improvement but not sufficient to suggest early resumption of dividends.
Erie	d1.34	0.75	12	24⅞	13	....	....	C-3	Strong leverage position of common lends speculative attraction but dividends rather remote.
Great Northern (Pfd.)	d1.28	def	14⅛	32½	15	....	....	C-3	Further improvement anticipated but no early dividend action likely.
Illinois Central	d0.71	def	16¼	38⅞	17	....	....	C-3	Larger maintenance outlays restrict gains in net earnings. Financial position comfortable. No early action on dividends.
Kansas City Southern	d6.96	def	8	19¾	8	....	....	C-3	Shares not without speculative possibilities although dividends are still some time away.
Lehigh Valley	d2.29	def	10½	21¼	11	....	....	C-3	Somewhat restricted financial position precludes dividends for the next year, at least. May cover fixed charges in full, this year.
Louisville & Nashville	1.53	3.50	45½	62¼	46	3.00(a)	2.9	C-2	Further dividend payments this year unlikely.
Missouri-Kansas-Texas	d7.64	def	6	14⅞	6¼	....	....	C-3	Current earnings may show only moderate improvement. Large accumulations on preferred obscure dividend prospects for the common.
Missouri Pacific	d20.09	def	2⅝	6	2⅝	....	....	C-4	Shares appear destined for drastic treatment in any ultimate reorganization.
New York Central	d1.08	0.50	21⅜	45¼	23	....	....	C-3	Substantial portion of gain in current revenues being absorbed by enlarged maintenance outlays. Need for strengthening finances places dividend prospects in long term category.
N. Y., Chicago & St. Louis	d9.98	def	10½	26⅞	11	....	....	C-3	Road has benefited by activity in steel and automobile industries. Fixed charges may be earned this year but strengthening of finances a prime requisite.
N. Y., New Haven & Hartford	d5.99	def	10⅛	24⅛	10½	....	....	C-3	Traffic and revenues have responded to increased industrial activity in territory. Presence of large bank loans unfavorable from standpoint of dividend prospects.
N. Y., Ontario & Western	0.64	0.75	5⅛	11⅝	5½	....	....	C-3	Road has done fairly well through the depression but common does not appear in line for dividends.
Norfolk & Western	15.20	17.00	161	184	133	10.00(b)	5.5	C-1	Exceptionally good earnings and strong financial conditions suggest a higher dividend or another extra.
Northern Pacific	0.12	1.00	18	36¾	13¾	....	....	C-3	Traffic loss due to drought clouds dividend prospects. Strong financially.
Pennsylvania	1.46	1.75	25⅛	37⅞	26	1.00(a)	4.0	C-2	Shares may be regarded as being on a regular dividend basis. Longer term prospects quite promising.
Pere Marquette	d6.17	def	16	38	16½	....	....	C-3	Industrial activity, notably automobile shipments, have benefited road. May cover fixed charges but dividends not in sight.
Pittsburgh & West Virginia	d0.35	0.25	15	27	17	....	....	C-3	Road has good longer term prospects but dividends must await sustained improvement and stronger finances.
Reading	2.80	3.00	42½	56⅜	43	2.00	4.6	C-1	Recent increase in dividend fully justified by earnings, with further improvement indicated. Finances strong.
St. Louis-San Francisco	d20.19	def	1¾	4⅝	2	....	....	C-4	Continued low level of traffic and earnings will postpone reorganization indefinitely. Shares have little real value.
St. Louis-Southwestern	d14.73	def	12½	20	....	....	....	C-4	Shares largely held by Southern Pacific. Fall prospects good.
Southern Pacific	d1.32	0.25	17½	33¾	18	....	....	C-3	Improvement accelerated this year. Finances strong but dividends not imminent.
Southern Railway	d2.83	0.80	14½	36½	15	....	....	C-3	Recent decline in traffic likely to prove temporary. Shares have speculative attraction.
Texas & Pacific	d2.79	def	18	43¼	18	....	....	C-3	Earned fixed charges throughout the depression. Finances comfortable. Shares have longer term possibilities.
Union Pacific	7.92	9.00	106¾	133⅞	108	6.00	5.5	C-1	Favorable trend of earnings place shares in line for a possible increase in dividend.
Western Maryland	d1.03	def	8	17¼	9	....	....	C-3	Traffic has been well sustained with trend toward betterment. Possible consolidation lends speculative attraction to shares.

* Estimated. (a) Paid this year. No regular rate. (b) Partly extra.

Equipment Industry Experiences Gradual Recovery

Farm and Business Equipment Lead Rail and Electric Manufacturers

ALTHOUGH each major division of the machinery and equipment industry is subject to diverse factors, and their prospects must necessarily be rated accordingly, the general character of the industry is such as to lend itself to a number of broad observations and conclusions. Industrial, agricultural, railway and business machinery and equipment are essentially durable goods for while their normal span of usefulness is not unlimited, it is possible to extend their period of serviceability almost indefinitely. Consequently, during periods of financial and business adversity, the demand for replacements and extensions is severely restricted. By the same token, these industries tend to lag conspicuously behind in the early phases of business recovery and do not feel any real impetus until confidence has returned to a point where both corporations and individuals are willing to undertake capital commitments. Exactly where this point is to be found in the present recovery is indeterminate. There does not, however, appear to be any doubt that revival in the demand for durable goods has been greatly retarded by unreasonable restrictions embodied in the Securities Act of 1933, and the resulting unwillingness of corporation executives to assume the burden of expense and liability imposed upon them by this Act, should they undertake to arrange for a public sale of securities. To be sure, this is not the only factor which has delayed the durable goods industries but insofar as it has added to the normal restrictions it is to be regretted. The situation, today, however, is not without hopeful implications. With the passage of the Securities Exchange Act of 1934, there were enacted several amendments to the Securities Act of 1933 which modified the restrictions placed upon corporate borrowers and there is a possibility that further modifications will be made later on.

Electrical and Machinery Manufacturers

Inherently a "prince and pauper" industry, the manufacturing of equipment and machinery, or at least those divisions of the industry covered by the appended tabulation, is showing a gradual emergence from the straitened circumstances which have been its lot for the past several years. To be sure, the progress has been slow and the return to a princely status is still some time away, but orders have increased and inquiries are more numerous. This trend of events is well exemplified in the electrical equipment industry. The two leading companies, in the first six months of this year, received a larger volume of new orders than for several years past. The ability of these companies to develop a rather substantial volume of new business in the face of a practical cessation of building by public utilities and subnormal demand from railroads—formerly the two largest outlets for electrical equipment—may seem rather amazing to the average person but not so to anyone who is familiar with the intensive research activities carried on during good times and bad. New products and aggressive concentration on the lighter types of electrical equipment, largely for domestic use, have given a timely boost to sales and have enabled these companies to come through a severe depression financially unimpaired. Action on dividends, however, is likely to be deferred until the industry is favored by a substantially larger volume of orders for the heavier classes of equipment.

Railroad Equipment

In the initial six months of this year, manufacturers of railroad equipment received a larger volume of new orders than the aggregate for the past three years. No division of the equipment industry has been harder hit than this one and one can understand the almost unrestrained pleasure with which the president of the American Car & Foundry Co., recently announced that orders on the company's books amounted to nearly $10,000,000. In addition to increased orders for rolling stock, manufacturers of brakes, castings and other miscellaneous parts have enjoyed accelerating activity. Forced by the exigencies of the depression, railroads have held the purchase of new equipment to a minimum, finding it possible to handle the reduced volume of traffic with the facilities on hand. With any sustained upturn in traffic, however, it will either be necessary to replenish rolling equipment or insure its serviceability—probably both. Moreover, much of the present equipment is obsolete, inefficient and expensive to operate. The desire of railroads to acquire new equipment can be taken for granted but until they are more certain of their ability to pay for it, only the roads enjoying the strongest credit rating are likely to be in the market. Government loans to railroads have reverted to the benefit of equipment manufacturers but real prosperity will return to the industry only when the railroads are on a firmer financial footing. This likewise sums up the dividend prospect.

Business Equipment

Manufacturing lighter forms of equipment, requiring a comparatively smaller outlay on the part of purchasers, the business equipment division has responded more promptly to general recovery and sales have been increasing steadily since the middle of 1933. The advent of repeal has been helpful particularly in the sale of cash registers. The foreign demand, an important portion of the total and commanding a larger profit margin, has been good, stimulated to some extent by exchange advantages. The superiority of American business equipment is well established abroad but the outlook is obscured by the complexity of import quotas, political unsettlement and strained credit conditions. The leading companies in this field are now definitely on a profitable operating basis and from their experience to date it would definitely seem that their ability to continue so will depend upon the vitality of the business recovery, as a

whole. Dividend prospects must be adjudged by individual companies, owing to the diversity of activities.

Sales of farming machinery underwent an impressive gain in the early months of this year but the serious financial consequences of the drought are not to be taken lightly, despite the fact that the Government will doubtless allocate huge sums for relief to the stricken areas. Government funds in large, but incalculable, amounts will go into the agricultural territories in the form of wheat and corn benefits. While these payments may go a considerable distance toward alleviating the current distress and aid in sustaining the sale of farm implements and machinery, the questionable economics embodied in this procedure makes for a rather unstable premise upon which to base an appraisal of the farm equipment industry. Of a more tangible nature, the marked progress which has been made on the part of the leading manufacturers in reducing receivables is noteworthy. Farmers are apparently getting out of debt on a large scale, a tendency which would seem to augur well for their future ability to purchase implements and equipment, other things being equal. Foreign sales have also shown a spirited gain but prospects in this instance also are complicated by the same factors enumerated above. On the whole, and as insurance against disappointment, stockholders should adjust their dividend hopes to a somewhat longer term objective.

Public works construction has produced a rising demand for tractors and road building machinery and should continue to be a source of new business as postponed projects get under way. Mining activity, or at least the mining of gold and silver, has given some stimulation to the demand for drilling equipment and after a long lapse, the oil industry is replacing equipment and the installation of pumping machinery has increased perceptibly. The progress which has been made in perfecting the Diesel engine, particularly in its application to lighter types of equipment, clearly indicates that it is a product of extensive potentialities. As to dividend prospects for manufacturers of industrial machinery, decision must be based on the status of the individual organization.

Position of Leading Equipment Stocks

Electrical

Company	Earned per Share 1933	Earned per Share 1st 6 Mos. 1933	Earned per Share 1st 6 Mos. 1934	Price Range 1934 Low	Price Range 1934 High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
Electric Storage Battery..	2.23	NF	NF	40	52	42	2.00	5.0	C-2	Dividend secure. Shares attractive for income.
General Electric	0.28	0.16	0.28	18	25¼	18	0.60	3.3	C-2	Sales up substantially. Divs. well protected.
Westinghouse El. & Mfg.	d2.28	def	NF	30¼	47¼	32	....	....	C-2	Sales gaining but dividends not imminent.

Railroad

Company	1933	1st 6 Mos. 1933	1st 6 Mos. 1934	Low	High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
Amer. Brake Shoe & Fdy.	0.53	def	0.53	22	38	22	0.80	3.7	C-2	Prospects brighter. No change in divs. indicated.
Amer. Car & Fdry.......	d8.90(a)	NF	NF	14¼	33⅞	16	....	....	C-3	Large increase in orders. No early divs. on common
American Locomotive	d5.12	def	NF	17¾	38¾	18	....	....	C-3	Doing better but pfd. accumulations must be met.
Amer. Steel Foundries ...	d1.85	def	NF	13	26½	14	....	....	C-3	Dividends must await revival of equipment buying.
Baldwin Locomotive	d5.24	NF	NF	7⅜	16	8	....	....	C-3	Orders up but real improvement will be slow.
Gen'l Am. Transportation	2.51	1.15	NF	33	43⅝	34	1.00	3.3	C-2	Earnings would permit higher dividend.
General Rwy. Signal.....	d0.51	0.50	NF	26½	45¾	27	1.00	3.3	C-2	Heavy new orders booked. No change in div.
New York Air Brake.....	d1.29	def	NF	15	24¾	16	....	....	C-3	Dividends not in sight.
Pullman...............	d0.70	def	NF	43	59⅜	45	3.00	6.6	C-2	Dividends reasonably secure.
Union Tank Car.........	0.99	0.39	NF	15⅝	21¼	19	1.20	6.2	C-2	Present dividend likely to be unchanged.
Westinghouse Air Brake.	d0.21	def	NF	18½	36	19	0.50	2.7	C-3	Strong finances assure continued dividends.

Business

Company	1933	1st 6 Mos. 1933	1st 6 Mos. 1934	Low	High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
Burroughs Adding Mach.	0.27	def	NF	11⅛	19⅜	12	0.40	3.3	B-2	Official reports dividend being earned.
Int'l Business Mach.....	8.16	4.12	4.83	131	149¼	136	6.00	4.9	B-1	Ample coverage for dividends.
Nat'l Cash Register.....	d0.36	def	0.61	13½	23⅝	14	0.12½(e)	....	B-2	Earnings may warrant further payments this year.
Remington-Rand........	0.01(b)	NF	NF	6⅜	13⅜	8	....	....	B-2	Preferred accumulations may delay common dividends.
Underwood-Elliott-Fisher	1.99	0.31	1.95	36	51½	45	1.50	3.3	B-1	Moderate increase in dividend is possible.

Agricultural

Company	1933	1st 6 Mos. 1933	1st 6 Mos. 1934	Low	High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
J. I. Case.............	d14.66	NF	NF	40	86¾	42	....	....	C-3	Dividends must await larger business volume.
Deere & Co............	d6.48(f)	NF	NF	15⅛	34⅛	15	....	....	C-3	Finances improved but divs. not imminent.
International Harvester..	d1.79	NF	NF	27⅞	45⅞	23	0.60	2.2	C-2	No change in dividends indicated.

Machinery

Company	1933	1st 6 Mos. 1933	1st 6 Mos. 1934	Low	High	Recent Price	Dividend	Yield %	Inv'mt Rating	COMMENT
Allis-Chalmers..........	d2.19	def	def	12⅝	23⅜	13	....	....	C-2	Shares have speculative attraction.
Amer. Mach. & Fdry....	0.95	0.45	NF	13	19¾	14	0.80	3.3	C-3	No change in dividends probable.
Caterpillar Tractor......	0.16	def	1.10	23½	33⅜	26	0.50(e)	....	C-2	Could make further payments.
Chic. Pneumatic Tool....	d4.82	def	NF	4⅜	9⅞	5	....	....	C-4	Large accumulations on Pfd.
Fairbanks, Morse.......	d4.36	def	NF	7	18	10	....	....	C-3	Longer term speculation.
Foster-Wheeler.........	d3.63	def	NF	10¼	22	12	....	....	C-3	$12.25 accumulated dividends on Pfd.
Ingersoll-Rand..........	0.01	NF	NF	50	73¾	56	2.00	3.6	C-2	Dividends recently increased
National Supply.........	d12.44	def	NF	11½	21⅛	12	....	....	C-3	Large accumulations on Pfd.
Worth'g'n Pump & Mach.	d17.30	def	NF	13½	31⅞	16	....	....	C-3	Dividends some time away.

(a) Year ended April 30, 1934. (b) Year ended Mar. 31, 1934. d—Deficit. (e) Paid this year. No regular rate. (f) Year ended Oct. 31, 1933. NF—Not available.

Anthracite Coal's Position Improved

Recent Activity in Leading Shares Reflects Changing Condition — Points to Better Earnings

By EDWIN A. BARNES

Two Representative Anthracite Producers

	Glen Alden Coal	Lehigh Coal & Navigation
Funded Debt	$48,000,000	$31,873,200
Capital Stock	1,750,487 shs.	1,930,065 shs.
Working Capital	$18,170,245	$7,321,000
Cash and Equivalent	$11,184,171	$4,603,285
Earnings Per Share		
1933	1.72	1.01(a)
1932	1.02	1.00(a)
1931	4.01	1.22(a)
1930	6.64	1.31(a)
Dividend	....	0.50
Recent Quotation	20	8

(a) Parent Company only—see text.

THE recent announcement that the Equitable Building in New York City, one of the largest office buildings in the world, intended to supplant the "Bunker C" fuel oil used in its steam generating plant with anthracite coal is a rather unusual turn of events and serves to focus attention upon the conditions which have made such action advantageous. The Equitable Building generates all of its own electricity for lighting, elevator and ventilating power and makes all of its own ice as well as steam for heating purposes. For these purposes the building has used 2,500,000 barrels of oil annually, for more than ten years. Obviously this is quite a sizable operating cost, particularly at this time when rentals are lower and vacancies higher, and when an opportunity arose to effect a saving, the building did not hesitate to grasp it. Fuel oil has advanced in price from 75 cents a barrel to $1.30, whereas the price of anthracite in steam sizes has remained the same for the past four years.

The case of this giant office building is not cited as an isolated instance but it is highly significant in that it emphasizes a situation which has in all probability come to the attention of other buildings, large and small, and countless home owners. If such proves to be the case, then the anthracite industry will be blessed with a rising trend of consumption after a period of more than seven years during which time consumption declined steadily.

While the economic distress of the past several years has adversely affected the anthracite industry, it has been only partially responsible for its unprofitable status and merely intensified unfavorable factors more deeply rooted. Chief of these factors has been the increasing use of substitute fuels, mostly fuel oil and to a comparatively minor extent, gas and electricity. Likewise anthracite has competed with bituminous coal and coke in the home and in the shipping markets. Strikes, interrupting the supply, inferior service and, on occasion, poor quality have reverted to the disadvantage of anthracite and manufactures of oil-burning equipment have capitalized the consumer dissatisfaction by intensive merchandising campaigns. It was not until 1928 that the anthracite industry put out any semblance of a counter-attack.

In that year the industry formed a group of trade associations and inaugurated a systematic campaign. Strict standards of grading were formulated; brands were trademarked and advertised; producers arranged for closer co-operation with dealers; and salesmen were trained to give technical advice to customers as to the most efficient methods of burning anthracite. In the ensuing years, manufacturers of heating equipment have greatly improved their product and have placed on the market of several automatic stokers, improved thermostatic equipment and firing devices. From the standpoint of anthracite producers, the results of these developments have not as yet attained startling proportions but that they have helped to gain new customers and hold old ones is hardly to be doubted. For the year to March 31, last, anthracite production totalled 56,000,000 tons, a gain of 7,000,000 tons over the previous twelve months and while an unusually severe winter contributed to the increase, this substantial increase in production is not without hopeful implications of a more permanent nature.

The anthracite division of the coal industry has enjoyed a considerable advantage over bituminous producers, due to the concentration of mines in practically a single field with ownership confined to a few large companies. Competition, as a consequence, is more rational. Due to complete unionization of labor, disturbances from this quarter have not been as frequent as in the bituminous fields. In the bituminous division, producing fields are to be found in nearly every state in the Union and 87 of the largest companies control only 43% of production. Naturally, this makes for excessive output and uneconomic competitive practices. Anthracite producers also are able to avoid any excessive piling-up of stocks on hand, due to their ability to increase production rapidly, and on short notice. Likewise, the presence of adequate transportation facilities permits the rapid movement of supplies to market should an abnormal demand suddenly develop.

Complete unionization of anthracite mines results in relatively high wage costs, which, in turn, has limited the the price adjustments which it has been possible for producers to make for the purpose of strengthening their position against competitive fuels. In the light of this condition it is, therefore, significant that the anthracite industry has not been placed under a code. Attempts to codify the industry have apparently been abandoned after the difficulties initially encountered in reconciling the interests of both labor and the producers. The failure of insistence to develop such a code on the part of N R A officials might be construed as a desire on the part of the Government to co-operate in putting the industry on its feet.

Being under no compulsion to raise wages, there has been no increase in anthracite prices, although the regular reduction customarily made on April 1, for the purpose of stimulating contra-season buying, was not made this year. With the price of anthracite maintaining practically a status quo, it has acquired an important advantage against competitive fuels, as borne out in the shift back to it by large and small users.

All of which might well lead to a more sanguine attitude toward the anthracite industry, at this time. Yet the situation still remains such that a conclusion of this sort may prove to have been highly superficial and premature. A safer conclusion would seem to be one which admits the presence of hopeful factors and reserves a more definite decision until the improving vitality of the industry is substantiated by a longer period of endurance.

Reflecting the turn of events in favor of the industry, the shares of several of the larger anthracite companies have shown a considerable percentage of recovery in their quoted values. Obviously, with the facts in view, the shares of even the stronger units must be classified as speculative and their acquisition at this time in anticipation of the industry's further progress in the direction of normal cannot be undertaken without assuming more than an average degree of risk. On the other hand there is a chance that speculative risks taken at this time will be generously repaid should the industry fulfill the promise of better days ahead.

Glen Alden Coal

Ranking first among the producers of anthracite coal in the United States, the Glen Alden Coal Co. has a capacity of 15,000,000 tons annually and it is estimated, on a conservative basis, that the company's unmined reserves total 400,000,000 tons. In addition to its leadership in production, Glen Alden is also ranked as the lowest cost producer. The combined strength of these factors has stood the company in excellent stead, enabling it to maintain operations on a profitable basis even during the periods of adversity when other coal operators were suffering large losses. Last year, the company reported a profit of $3,013,574, as compared with $1,791,348 in 1932, despite a decline of $5,000,000 in sales during 1933. Applied to the 1,750,487 shares of capital stock, profits last year, after taxes, depreciation, depletion and interest, were equivalent to $1.72 a share. In 1932, the stock earned $1.02; $4.01 in 1931; and $6.64 in 1930. While figures for earlier years are not available, dividends of $10 a share annually during the period 1926-1929, inclusive, are significant.

Ahead of the capital stock are $48,227,200 in first mortgage bonds, carrying a 4% coupon and due in 1965. While this item of funded debt is rather large, it is being steadily reduced by the operation of a sinking fund and the comparatively low coupon rate does not place too heavy an interest burden upon earnings. The 1933 balance sheet left no doubt as to the company's financial security. Total current assets, including over $11,000,000 in cash and U. S. Government securities, amounted to $24,730,107, as compared with current liabilities of $5,207,225. Severe weather conditions in the early months of this year brought a sharp increase in the sale of anthracite coal, enabling the company to get off to a good start and recently the price of several of the more popular domestic sizes were advanced 25 cents a ton—all of which would seem to augur well for current results. Contingent upon the ability of the industry to maintain the gains made to date, the shares of Glen Alden, at recent levels around 20, would seem to present the most desirable medium for speculating in the future of the industry.

Although not strictly an anthracite producer, owing to its substantial interests in other fields, the stake of the Lehigh Coal & Navigation in the coal industry is sufficiently substantial to indicate that it would be an important beneficiary of any sustained improvement. The relative size of the company's coal interests is indicated by its estimated reserves of 500,000,000 tons. Owing to unfavorable conditions, already enumerated, the coal properties have been unprofitable for some years—not, however, to an extent to fully nullify the income from more stable sources. In fact, the company has paid dividends continuously since 1880, and recently advanced the rate from 40 cents to 50 cents annually. The ability of the company to maintain such an impressive dividend record in the face of the vacillating conditions in the coal industry has been made possible through the ownership of important railroad terminal and connecting facilities,

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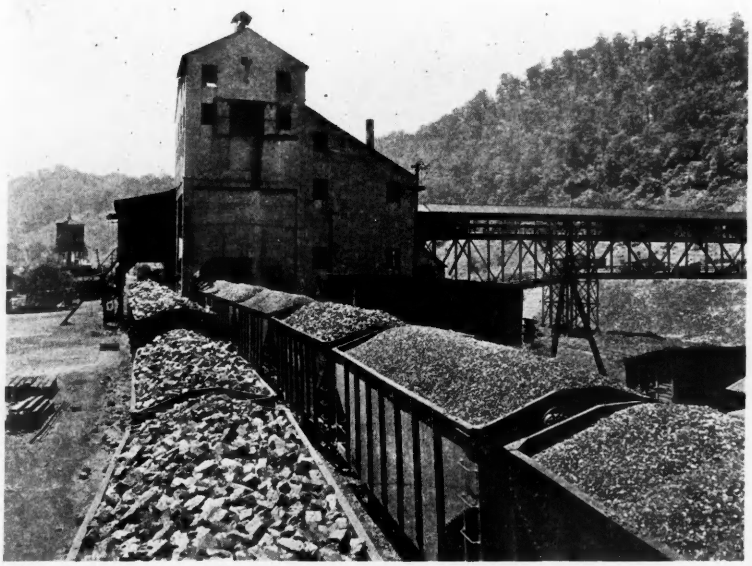

Nesmith Photo.

Loaded Coal Cars Leaving the Tipple

UNION CARBIDE & CARBON CORP.

Strength Lies in Diversity of Production

Appears Able to Stay on the Profit Side Under All Conditions—Recent Earnings Up—Financial Position Strong

By PHILLIP DOBBS

THE Union Carbide & Carbon Corp. is always classed as a "chemical." Yet, somehow such a heading seems less appropriate than in the case of Allied Chemical & Dye, Mathieson Alkali, Monsanto and others. It is true, of course, that certain products made by Union Carbide compete with the products of these that are very clearly "chemicals." But even so, this is not an altogether satisfactory explanation for the latter's customary classification. It is probably best to consider Union Carbide as being the one and only member of its own group and from here pass on to the extraordinary variety of activities in which the company engages.

These activities logically fall into four main divisions (1) oxy-acetylene welding and cutting, (2) carbon products, (3) alloys, (4) chemicals. In the first division, the field is covered very broadly. Not only does the company produce calcium carbide, acetylene, oxygen and other commercial gases, but it makes a complete line of welding and cutting equipment. Customers include the railroads, automobile and other manufacturers, together with construction and wrecking firms. Although this division was hard hit by the depression, it failed to plumb such depths as might have been expected because of the constant development of new uses and methods. Welding continues to replace castings and riveted joints. Also oxy-acetylene methods are being used to remove the surface defects from steel forms and for the purpose of hardening such things as rail-ends.

Union Carbide & Carbon is the recognized leader in the field of carbon products. It makes all kinds of lamp carbons, motor and generator brushes, electrodes and a very wide range of carbon specialties.

In view of the constantly expanding use of ferroalloys, it is hardly surprising that this phase of Union Carbide's business is growing in relative importance. Metal today has to be stronger, tougher and harder than formerly; it has to resist corrosion, not only damage from rust, but that caused by highly-corrosive chemicals. Moreover, electrical apparatus and new processes require steels of special properties. It is quite impossible to describe in full all the steel and other alloys manufactured by Union Carbide, their composition and their uses, for this in itself would need a book. Yet, it is to be noted that alloys are an important part of the company's business, that it has registered substantial improvement over the past eighteen months, and that manufacturing facilities are being expanded.

Union Carbide's chemical division concerns itself with the making of many different solvents, alcohols and gases. Customers of this division include makers of rayon, artificial leather, film, plastics, explosives, lacquers, paints and stains, textile soaps and fumigants.

So far, mention has been made only of those products that are really producers' goods. Union Carbide also manufactures many things that move directly into consumption. Among these are many kinds of dry batteries and flashlights sold under the brand name "Eveready," sunshine lamps, arc lamps and carbons. "Eveready Prestone," an anti-freeze for automobiles, "Pyrofax" a gas fuel for country homes, and synthetic resin, or "Vinylite."

Nor is this diverse business solely confined to the boundaries of continental United States. The company operates plants in Canada, Norway and the Far East. It has in all some 160 plants, sales offices and warehouses; it produces some of its own raw materials, owning through subsidiaries quarries and mines; it has its own power resources, while additional requirements have been contracted on a long-term basis.

Union Carbide lays great stress on research and main-

Among the Products of Union Carbide & Carbon Corp.

Carbon Products
- Carbons of all kinds for lamps and beacons.
- Carbon brushes for motors and generators.
- Carbon electrodes
- Carbon specialties.

Chemicals
- Alcohols and solvents for the rayon, artificial leather, film, plastics and paint industries.
- Prestone, the automobile anti-freeze.
- Vinylite, a plastic resin.
- Calcium Carbide.

Gases
- Oxygen.
- Nitrogen.
- Pyrofax, a household fuel.
- Many rare gases.

Graphite Products

Mechanical Apparatus
- Welding apparatus complete, both hand-operated and mechanical.
- Eveready lamps and flashlights of all kinds.
- Eveready batteries of all kinds.

Metal Alloys
- Diverse ferro-alloys.
- Non-ferrous alloys, a number of which are sold under well-known trade names.

tains a staff of scientific personnel for the purpose of developing new products and processes, and for the improvement of old. It is also always willing to consider products and processes developed outside its own organization. That Union Carbide indeed is essentially a "modern" may be realized from the fact that last year its special patent department filed 401 applications in the United States and abroad and that 223 new patents were issued to the company.

In contrast to many enterprises whose operations are greatly diversified, Union Carbide's wide range of activities seems to have been chosen with such care as to have proved beneficial rather than the reverse. During the good years following the War steady progress was made, while not one of the poor years after 1929 resulted in a loss of money. Between 1922 and 1929, earnings per share adjusted for split-ups rose without a single setback from $1.47 to $3.94. In 1930, 31 and 32 they fell to $3.12, to $2 and finally to 26 cents a share of common stock.

Last year, however, substantial improve- was registered. And as further evidence of a fundamental soundness it is to be noted that the improvement took place in no particular division—virtually all benefited in the general upturn of the past year. The net income for the period, after provision for all taxes, depreciation, interest and preferred dividends of subsidiaries, depletion and other charges was $14,172,927. Such net income was equivalent to $1.58 per share of common stock.

This year, further gains were made. The first quarter resulted in a profit equivalent to 48 cents a common share, while in the second quarter 53 cents was reported. Adding these together, Union Carbide earned $1.01 a share in the first six months of 1934, which compares with 47 cents a share in the first six months of 1933. Or, looking at it another way, it will be seen that the company's earnings have been running very consistently at the annual rate of about $2 a share since the middle of last summer, whereas a large number of other companies report a sharp recession since the peak of activity in the third quarter of last year.

Reference has been made to subsidiaries and to the payment of interest and dividends on subsidiary obligations. It must not be deduced from this, however, that the common stock of Union Carbide represents in any way that of a holding company whose stock is the base of an inverted pyramid. Indeed, obligations prior to the common are of small importance. At the end of last year, subsidiary funded debt and mortgages were only slightly in excess of $9,000,000, while subsidiary preferred stock was less than $7,000,000. In other words, the common stockholders of Union Carbide & Carbon are the sole owners of a 300-million-dollar business, except for a comparatively insignificant senior interest totalling 16 millions.

Of the common stock, there are 9,000,743 shares of no par value outstanding, currently valued at $40 a share in the open market. Following the three-for-one split-up in 1929 the stock was placed on a $2.60 annual dividend basis. As the depression intensified, this was reduced to $2, then to $1.20, and finally to $1. Because of the subsequent improvement, however, last May the rate was raised to $1.40 a common share and this has remained in effect ever since.

Courtesy, Union Carbide & Carbon.

Using the Oxy-Acetylene Torch

It must be realized that on the basis of the current earning rate and on the return afforded one's capital the common stock of Union Carbide is far from being definitely under-valued. At this time, the stock is selling for about twenty-times the earnings of the past year and yields well under 4% on the money involved in its purchase. Moreover, in view of the relapse that has lately taken place in general business, it should occasion no surprise if the showing of the third quarter this year is somewhat inferior to those immediately preceding. Even allowing for betterment in the last three months of 1934, a poor showing in the third quarter conceivably could bring per-share earnings for the year below $2.

On the other hand, the common stock of the Union Carbide & Carbon Corp. is definitely entitled to "sell higher" than the average company. It is only when one attempts to arrive more definitely at the justifiable premium that serious trouble develops. And the difficulty is intensified by the great diversity of the company's business. It is manifestly impossible to appraise the outlook for each small section, sum them, and arrive at a net result. Nevertheless, certain generalities seem quite permissible.

In the first place, there is the company's record. It has not proved wholly "depression proof" by any means, but it has never lost money and this is at least evidence of great resistance to depression. At the same time, the business has certainly recovered as fast and as far as the average business. This is worth something in the price of a stock. Something must also be allowed for the general nature of the company's activities. Many divisions obviously possess great possibilities of dynamic expansion and, whether or not these actually develop profitably, the mere chance has a concrete value. In other words, the possibility that Union Carbide might develop some new process or some new chemical out of which tremendous profit might be made is a possibility that is validly discounted to some extent in the price of the stock.

Nor must one lose sight of what has been shown before—that the common stockholder in Union Carbide enjoys a favorable position in relation to the company itself. For all intents and purposes he is the sole owner of the business with its factories, sales' offices, its patents and inestimable goodwill, to say nothing of its liquid wealth. The latter is very substantial and has

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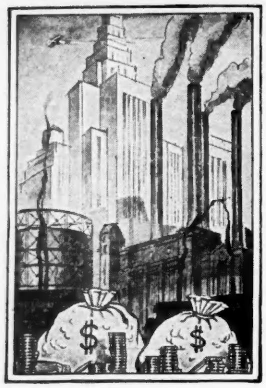
For Profit and Income



No Mincing Matters

The National Lead Co. reported earnings equivalent to $4.06 a common share for the first six months of this year, compared with $2.82 in the first half of 1933. But were the figures allowed to stand, speak for themselves, and perhaps give a wrong impression? They were not. Mr. Cornish, the company's chairman, stated that there was no doubt but that business in all lines had shown a seasonal decline. He went on to make the point that the first four months of this year were substantially ahead of last, but that in the following two months the gains made a less favorable comparison. It was also interesting to learn that while no question of a split-up or stock dividend has ever come before the Board of Directors, the value of the company's principal assets, excluding good-will and intangibles, was equal to between $212 and $225 a common share, depending upon the price placed upon metal inventory. National Lead's management has long been known for its disinclination to indulge in over-optimistic "bally-hoo" and this may well be not the least of the reasons for the investment esteem in which the company's stocks are held.

* * *

Contrasts

The recent report of the Consolidated Gas Co. of New York made sad reading. Net income for the June quarter was equivalent to 60 cents a common share, compared with 94 cents a share in the preceding quarter and with 89 cents a share in the June quarter last year. For the twelve months ended June 30, 1934, per share earnings were equivalent to $2.85, while in the previous twelve months they equalled $3.50.

Compare this showing with the Procter & Gamble Co., for example, which probably is as close to a public utility *type* as can be found in an industrial. Here, the earnings for the fiscal year ended June 30, last, were equivalent to $2.09 a common share, compared with $1.52 in the previous year.

While there is no contention that this contrast is conclusive evidence, it does lend weight to the often expressed thought that the utilities are being much harder hit by the current trend of the times than the industrials. In the case of Consolidated Gas, operating revenues were down only 1½%, but the increased costs resulting from N R A, higher costs of raw materials, and higher taxes, all combined to bring net income drastically lower. On the other hand,, while Procter & Gamble's expenses rose also, the company was not "hog-tied" by fixed or declining selling prices and gross sales rose 13.8% for the year. In other words, "How elastic are selling prices" is an ex-extremely important question today. It may well become even more important in the future.

* * *

Registers Improvement

No industry has had the advantage of better outside conditions and has had to contend with more horrible internal conditions than the oil industry over the past few years. There are signs at last, however, that internal conditions are clearing. The grip on bootleg production is tightening, while a constantly increasing number of refineries have realized the value of co-operation. The recent action of large companies in buying up distress stocks of gasoline in the East Texas field and contracting for the current production of 88% of the small refiners in this field has definitely improved the statistical position of motor fuel. The country's stock of gasoline on hand is substantially under that of a year ago, while consumption continues to gain. Despite the current business recession and other adverse factors, it will be surprising if oil company profits during the third quarter are not substantially larger than in the one immediately preceding.

* * *

'Tis an ill wind . . .

Owing to lack of feed and water occasioned by the continuing drought, the big packing centers have been glutted with animals, sent to slaughter as being preferable to letting them die on the dried-up range and pastures. While this, of course, represents a loss of real wealth to the farmer and to the country as a whole, to say nothing of the fact that it is having a temporary adverse effect upon all meat prices, it does at least seem to improve the longer-term outlook for the packers. These companies are so geared that most of them lose money fast on declining meat prices, break even or a little better on stable prices, and make reasonable profits only when the price of meat is rising. The reduction in animals—particularly beef—that is currently taking place should result in higher prices later on and in this way should prove ultimately of benefit to the meat packers.

* * *

A Preferred with Prospects

The American Bank Note Co. is in the position of not having tasted a great deal of returning prosperity so far, but which conceivably one of these days might waken up to find itself deluged with business. It all depends upon the volume of new financing and general activity in financial circles. Looking at the bulging vaults of the banks and taking note of the current extreme ease in money rates, one must arrive at the conclusion that sooner or later capital will surely burst forth in search of new and more profitable investment channels. When it does, American Bank Note's business should boom and a preferred stock that is now

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Taking the Pulse of Business

— Summer Slump Deepens
— Agricultural Products Rise
— Capital Goods Industries Lag
— Oil Outlook Better
— Shortage Improves Packer's Prospects

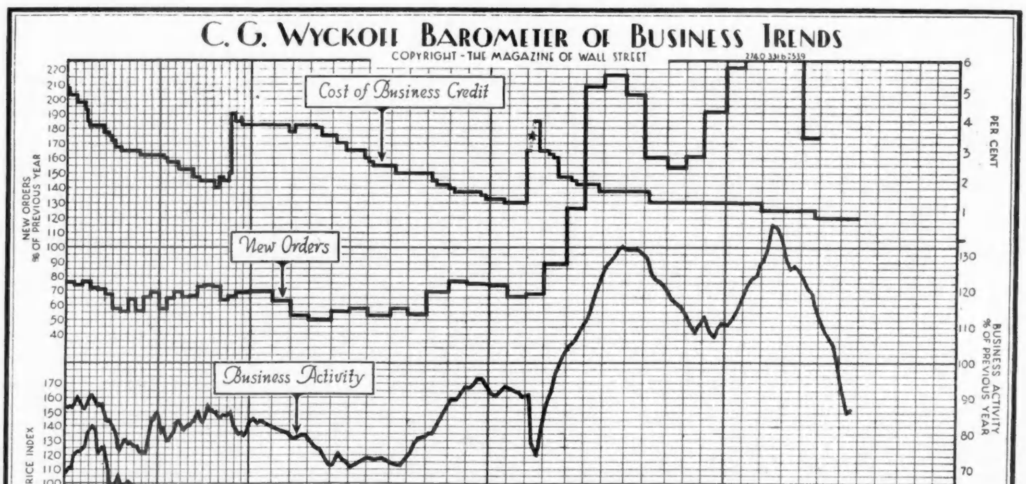
WHILE many of the business indexes depicted in the current issue are not overly pleasant to contemplate, there should be a more than compensating satisfaction in knowing that the worst of the reaction is about over, especially in those indexes which compare conditions now with those obtaining a year ago. On a yearly comparison basis, the recent slump has been exceptionally severe owing to the circumstance that a greater than normal let-down in activity during the first week in July, which included Independence Day, chanced to coincide with the anniversary of the peak of last year's codification and inflation boom.

Thus we find that Business Activity, taking the country as a whole, actually receded to 69.2% of the 1923-25 average, or 14% lower than at the corresponding time last year. But, while this reaction from the recovery high of 81.3% (in terms of the 1923-25 average) has been quite severe, it is encouraging to note that the physical volume of production, distribution and trade has since recovered about a point and even now is about 41% better than in the middle of March, 1933, which marked the low point of the depression.

Of course, the capital goods industries still remain the laggards in the march of business. At present writing, for example, lumber production is at the extraordinary low rate of only 27% of the 1923-25 average, while the steel mills are operating at only 28% of capacity, which is around 32% of the 1923-25 average. New Orders booked by the country's principal heavy industries, while 74% ahead of last year (according to the most recent point on our graph) are nevertheless coming in at only half **the normal average rate.** There is undoubtedly a great accumulated need for new construction work, if for no other purpose than to repair and modernize existing plants and to provide housing for an ever-growing population. The recently-enacted housing bill, together with amendments to the Securities Act of 1933, should help to open up the market for new flotations of capital issues; but it remains to be seen if the new Stock Exchange Law will prove sufficiently deflationary to offset these favorable developments.

After resting lifeless for two weeks at a uniform level, our Common Stock Index, in a spasm of somewhat greater activity, has given belated recognition to the recent reaction in business by falling to a new low point for the present year. Meanwhile the extremely low Cost of Business Credit has prevented the market for high grade bonds from following the decline in common stocks. Indeed, something of this influence is being felt even within the stock market itself, where high grade, dividend-paying issues have held up better than many of the low-priced, non-dividend-paying specialties.

Since the drought has of recent weeks caused a sharp rise in the price commanded by agricultural products, our Raw Material Price index (which compares current prices with those obtaining a year ago) has been stopped at 103.5



in its steep decline. In terms of the 1923-25 average, which the present Administration regards as normal, raw material prices have recovered to 62.7%, which is only 0.7 point below the highest level on the advance, reached about a year ago.

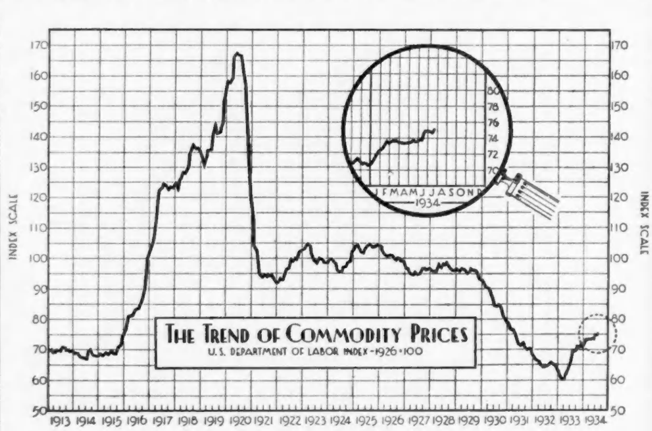
Reports for June which relate to consumption hold out much encouragement for an early resumption of the recovery in general business activity. Thus we learn that, compared with the month of June, 1933, employment has gained 4,000,000, or 14.3%; payrolls have expanded at the annual rate of six billions, or 19%; while the dollar volume of building contracts shows a gain of 24.4%; department stores sales were up 9%; chain store sales rose 15%; and rural sales gained 10%.

The Trend of Major Industries

STEEL—After dropping precipitously to 23% during the week of Independence Day, steel mill operations have recovered moderately and held steady during the past fortnight at around 28% of capacity. Demand for steel products thus far in July is holding up fairly well in view of the seasonal slackening in many consumer industries and the heavy stocks on hand. Nevertheless the main support to operations at the moment comes from the automobile industry where production is expected to hold up exceptionally well this summer to enable dealers to accumulate sufficient inventories so that plants may shut down in the early autumn to re-tool next year's new models. Price weakness and labor disputes have caused some withholding of orders, which in most instances probably represent consumption postponed, but not lost.

METALS—Summer lassitude has crept over most of the non-ferrous metal markets. Little is being heard just now about the Government's purchases of silver, and the price has sagged back to 46 cents. Perhaps this ammunition is being saved for the early autumn when it will be most effective for campaign purposes. Copper demand is a little better abroad; but shows little improvement here, and sales of the bootleg variety are rumored at concessions of a half cent from the official price. World consumption of tin for the 12 months ended May 31 was up 27%, nearly every important country, except British India, showing an increase. In Russia, consumption was practically twice what it was during the corresponding period a year earlier. Meanwhile, world stocks have fallen a trifle, so that current production must be about keeping pace with consumption. The price has advanced about one-fourth cent since our last issue. Meanwhile, lead is up a cent on somewhat improved demand, while zinc remains unchanged.

PETROLEUM—Taking advantage of provisions of the tax law, the Oil Administration has recently formulated new regulations for the industry which call for detailed reports of every barrel produced, under penalty of heavy fines and imprisonment for violations. It is anticipated that this action will effectively put an end to the production of "hot oil." While it is yet too early to determine if such optimism is warranted, it is at least gratifying to learn that Texas production during the past fortnight has fallen below the Federal allowable; though Oklahoma, California and Kansas are still producing in excess of their quotas. Recent extension of the East Texas field opens up new sources of supply, and may add to the difficulties of enforcement.



Changes in Major Commodity Price Group for the Fortnight Ended July 21, 1934

Farm Products	up	2.0	Metals	down	0.5
Foods	up	0.2	Building materials	down	0.1
Hides and leather	down	0.9	Chemicals	down	0.1
Textiles	up	0.1	Housefurnishings	down	0.1
Fuel and lighting	up	0.5	Miscellaneous	up	0.1

COTTON TEXTILES—During the month of June, consumption of foreign and domestic cotton by American mills amounted to only 363,000 bales, as compared with 520,000 in May and 697,000 in June of 1933. Exports amounted to 459,000 bales, compared with 285,000 in May and 615,000 in June a year ago. The cotton spinning industry in this country operated in June at 72.7% of single shift capacity, compared with 98.2% in May and 129.1% last year. American stocks of cotton on June 30, at mills and in warehouses, were 7,312,000 bales, against 8,708,000 a year previously.

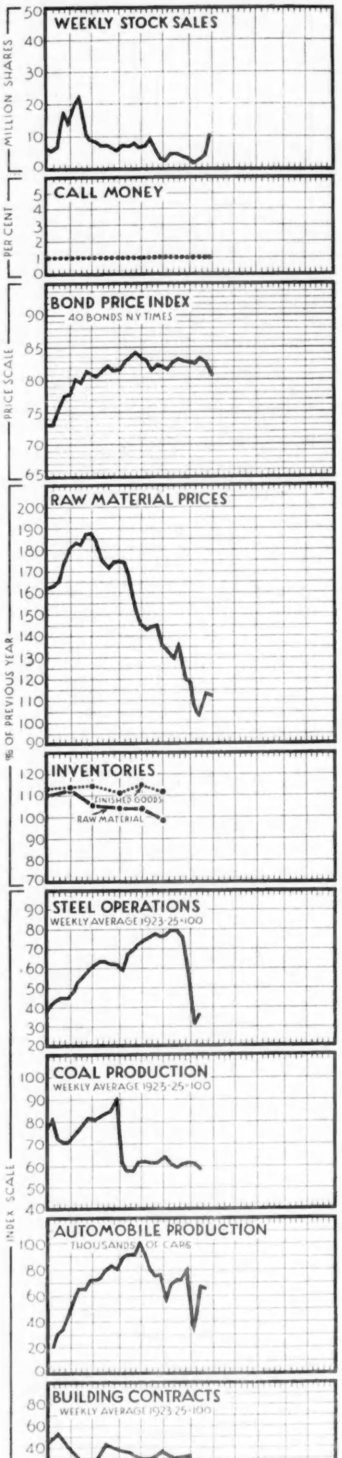
FOOD PRODUCTS—The severe drought, which has destroyed crops in wide areas, and caused forced marketings of live stock, promises to bring rising prices for many food products this autumn. The Department of Agriculture reports, for example, the largest reduction in fifty years in the spring pig crop and the probable number of sows to farrow this autumn. The 1934 spring pig crop is placed at 37,000,000 head, a reduction of 28% from that of the preceding year and 27% smaller than the average for 1932 and 1933. Rising prices should bring larger profits on inventories acquired at lower prices.

Conclusion

Viewing the business picture as a whole, it appears that the country's purchasing power (except in districts affected by the drought) continues to hold up well, with only a moderate slackening in the rate at which goods are actually being consumed. This conclusion is supported by our small business graphs on the opposite page, which disclose a drop in the inventory curves for both finished goods and raw materials, and a resulting rise in our index of raw material prices. Fundamentally the statistical position of business is better; so that the falling off in production of recent weeks which is revealed by the business activity index, though of more than seasonal proportions, should be regarded hopefully as merely a temporary expedient to facilitate a more rapid absorption of surplus inventories.

The Magazine of Wall Street's Indicators

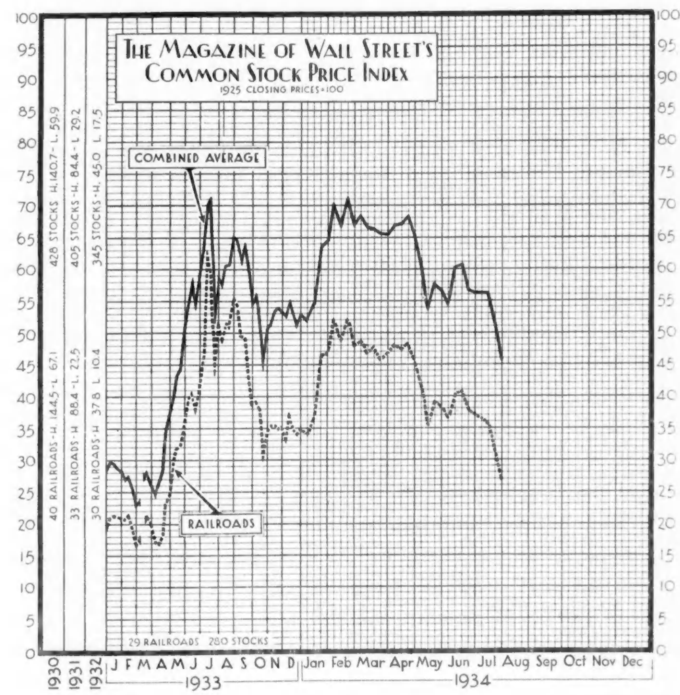
Business Indexes



Common Stock Price Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High	1934 Indexes Low	July 14	July 21	July 28
71.3	22.7	52.9	312		71.2	45.7	56.2	51.1	45.7x
116.0	26.8	68.6	5	Agricultural Implements	105.7	45.3	63.1	55.5	45.3x
37.8	7.3	27.1	5	Amusements	42.3	20.2	26.9	22.7	20.2x
50.9	12.4	41.3	14	Automobile Accessories	58.9	35.2	44.0	40.7	35.2x
22.7	7.3	18.0	13	Automobiles	24.9	11.8	14.9	13.2	11.8x
102.9	41.8	61.6	5	Aviation (1927 Cl.—100)	92.5	48.2	58.4	48.6	48.2x
26.5	5.1	12.2	4	Baking (1926 Cl.—100)	17.4	9.4	12.0	10.7	9.4x
157.5	79.9	145.6	2	Biscuit	150.0	120.5	132.1	127.4	120.5x
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.—100)	240.9	155.7	193.3	182.3	155.7x
128.8	39.8	107.6	5	Business Machines	136.0	100.1	119.0	112.2	100.1x
191.1	92.9	189.1	2	Cans	204.3	178.9	199.0	194.7	187.6
238.2	71.5	193.6	8	Chemicals	210.5	136.2	165.0	152.2	136.2x
34.8	11.3	28.0	16	Construction	37.2	22.1	28.6	25.3	22.1x
81.0	20.3	54.9	6	Copper	70.1	44.2	57.4	50.2	44.2x
47.7	23.0	25.7	2	Dairy Products	37.0	25.7	37.0h	35.6	31.9
27.3	6.6	19.6	8	Department Stores	26.8	16.7	20.6	19.7	16.7x
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.2	57.0	70.8	66.4	59.1
104.0	35.6	75.4	4	Electric Apparatus	91.3	59.4	73.4	69.0	59.4x
104.6	33.2	103.8	2	Finance Companies	178.3	103.8	164.8	161.1	142.5
75.2	32.6	52.0	5	Food Brands	64.0	51.1	60.4	57.0	56.6
77.5	40.5	58.6	4	Food Stores	71.1	56.8	63.6	60.5	56.8h
1365.0	481.2	1180.8	3	Gold Mining	1372.0	1115.0	1372.0H	1236.0	1192.0
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	31.3	29.5	26.3
38.0	14.5	23.1	6	Investment Trusts	31.8	19.3	23.6	21.8	19.3x
360.0	85.0	244.6	2	Liquor (1932 Cl.—100)	295.5	165.4	209.3	174.7	165.4x
47.4	13.5	39.4	2	Mail Order	53.4	37.1	46.3	43.4	37.1x
120.3	21.9	57.2	3	Meat Packing	88.6	51.9	70.8	61.1	51.9x
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	121.6	148.0	134.4	121.6x
83.4	29.3	66.0	25	Petroleum	86.8	56.3	64.5	59.7	56.3x
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	19.4	17.0	15.7
104.0	40.8	49.0	20	Public Utilities	72.8	42.5	53.1	47.5	42.5x
69.4	17.7	53.4	8	Railroad Equipment	66.2	36.8	48.8	44.8	36.8x
63.0	16.3	34.5	30	Railroads	52.0	26.8	35.6	31.3	26.8x
44.3	6.2	30.0	3	Shipbuilding	50.2	29.4	38.3	33.3	30.3
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)	150.3	114.0	139.1	131.0	120.4
69.1	19.1	51.8	11	Steel & Iron	77.0	42.1	54.1	47.3	42.1x
29.5	7.3	21.3	5	Sugar	31.3	20.5	31.3H	27.9	25.2
216.5	79.3	200.8	2	Sulphur	214.0	141.7	156.1	151.8	141.7x
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	45.3	55.7	51.6	45.3x
82.2	22.5	49.1	8	Textiles	65.8	37.6	49.9	45.7	37.6x
15.1	3.0	11.0	5	Tires & Rubber	14.6	7.6	10.3	8.6	7.6x
90.2	46.2	69.4	4	Tobacco	78.2	66.5	78.2h	76.4	74.4
57.2	22.3	57.2	3	Traction	57.2	43.3	51.8	47.9	53.3x
52.9	23.3	43.6	3	Variety Stores	117.1	43.6	104.0	99.4	97.5

H—New HIGH record since 1931. h—New HIGH this year. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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NATIONAL CASH REGISTER CO.

What are your views on long-term prospects of National Cash Register? Although business for this company is obviously better I am at a loss to understand its recent market action.—E. E. B., Montgomery, Ala.

The National Cash Register Co. is the world's largest manufacturer of cash registers, several hundred different types being produced and sold. It also manufactures a broad line of office specialty equipment, although this accounts for only a small portion of total sales. Agencies are maintained throughout the United States and in foreign countries and it is understood that sales outside of this country now account for approximately half the total business. Aside from its cash register and office equipment lines, the company's research department has developed numerous checking machines especially adopted to particular businesses. In view of the fact that there is hardly a business organization in the world which does not employ one or more of the products manufactured by this company, it may be readily recognized that its prosperity closely follows general economic trends. During the first five months of the current year domestic and foreign sales increased some 17% over those of the like 1933 interval. Repeal of prohibition in this country is understood to have been of material sales benefit to the company, although demand has also been stimulated by the introduction of new and improved models. The earnings report for the six months ended June 30, 1934, revealed net income of $1,002,947, equal to 61 cents a share, contrasted with a deficit of $599,772 in the same period last year. Capitalization is now comprised solely of 1,628,000 shares of common stock which places holders in a position to immediately benefit from improved earnings. A 12½-cent dividend was recently declared on the stock and, if earnings justify, it is the intention of the management to make further similar quarterly payments. In view of the probability that sales and earnings will register further expansion over the longer term, we feel that your holdings should be retained, despite the possibility of some seasonal earnings decline during the summer months. The latter probably accounts for the stock's recent market action.

WILSON & CO.

I have more than 100% appreciation on my original investment in Wilson & Co. common. Do you consider its market price justified by present business? Shall I take my profit or hold further?—L. M. B., Jacksonville, Fla.

Wilson & Co., Inc., as the third largest meat packer, is well established in its field, and sales should reflect improvement in consumer purchasing power as it appears in evidence. In addition to the business of slaughtering live stock and distributing beef, mutton, veal and pork, the company is engaged in the manufacture and sale of lard, oleomargarine, soap, glue, hide, etc., and the buying and selling of butter, eggs and poultry. The company made a remarkable recovery in the fiscal year which ended October 28, 1933. Net profits for the period, including discount on bonds purchased for sinking fund, amounted to $3,055,925 or $13.44 a share on the 7% cumulative preferred stock, and $4.67 on the class A shares, after allowing for one year's dividend requirements on the senior issue. This showing contrasted sharply with a year earlier, when only $51,336, including $324,529 discount on bonds acquired, was earned. In the first five months of the current year, earnings are reported to have been close to $2,000,000. Accumulated dividends on the 7% preferred issue now are approximately $24.50 a share, after three payments of $1.75 each this year. The class A stock also has accumulation of about $18 per share and consequently the common shares are far removed from participation in the company's earnings at this time. In view of your 100% profit in the junior issue, we

(*Please turn to page* 415)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

MARKET REACTION

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THE WEEKLY BULLETIN

Our weekly bulletin of eight pages is mailed every Tuesday. It contains clear-cut instructions upon the proper action to take on the sound issues selected by our market technicians; also, concise and up-to-the-minute descriptions of the Technical Position of the Stock Market, the Business Outlook and many informative charts and tables. Special editions with specific recommendations are mailed frequently during the week.

TELEGRAPHIC SERVICE

Telegraphic service is available on all of our three active market programs—Trading Advices, Bargain Indicator and Unusual Opportunities. Clients as far away as the Pacific Coast, therefore, can be within a few minutes of Wall Street. Recommendations can be received and acted upon quickly and profitably. Our confidential private code enables subscribers to receive information with secrecy and economy.

CONSULTATION PRIVILEGES

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SELECTED stocks may be purchased now for trading, semi-investment and investment. From present levels, sharp rebounds are due which will bring quick and substantial profits to the astute buyer who ACTS AT ONCE.

A break such as that of the past three weeks invariably marks the climax of a decline and a definite change in trend. The market will begin shortly to discount Autumn trade revival in a growing number of issues. By Labor Day, the Fall upswing should be underway based on this business revival and action by the Administration to accelerate recovery before Congressional elections.

Now is the time to accumulate the potential leaders of this major advance. You can do so through recommendations selected by our analysts. There are five averaging under 25 as Trading Advices, five averaging under 35 in our Bargain Indicator and five averaging under 12 as Unusual Opportunities. These advices will be sent you immediately on receipt of your subscription.

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☐ **TRADING ADVICES** — Short-term recommendations following intermediate swings (to secure profits that may be applied to the purchase of investment and semi-investment securities). Four to six wires a month. Three to five stocks carried at a time. $1,000 capital sufficient to purchase 10 shares of all recommendations on over 50% margin.

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Name .... Capital or Equity ....

Address ....

City .... State .... Aug. 4

New York Stock Exchange

Rails

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 7/25/34	Div'd $ Per Share
A								
Atchison	94	17⅞	80⅛	34⅝	73¾	51½	56	†2
Atlantic Coast Line	44	9¾	59	16½	54¼	29	30½	..
B								
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	16¼	16½	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	39½	39½	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	42	28¼	38½	..
C								
Canadian Pacific	20⅞	7¼	20⅞	7½	18¼	12½	13¼	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	48⅝	39½	44⅛	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	2¾	3	..
Chicago & Northwestern	14½	2	16	1¼	15	5⅛	5¾	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2	2¼	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	40¾	42½	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	16½	17⅝	..
E								
Erie R. R.	11¾	2	25¾	3¾	24⅞	12	13	..
G								
Great Northern Pfd.	25	5½	33¾	4⅝	32½	14⅛	14⅞	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	5	5¼	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	16¼	17⅛	..
Interborough Rapid Transit	14⅝	2¼	13¾	4⅛	13¾	7	7⅛	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19¾	8	8	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	21¼	10½	11¼	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	45½	49	†3
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	6	6¼	..
Missouri Pacific	11	1½	10¼	1⅛	6	2⅝	2⅝	..
N								
New York Central	36⅝	8¾	58½	14	45¼	21⅜	22⅝	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	26⅞	10½	11½	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	10⅛	10½	..
N. Y., Ontario & Western	15¾	3⅝	15	7½	11⅝	5⅛	5½	..
Norfolk & Western	135	57	177	111½	187	161	183	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	18	18¾	..
P								
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	25⅛	25⅞	†1
Pere Marquette	18	1¾	37	3⅞	38	16	16⅝	.
R								
Reading	52¼	9½	62½	23½	56⅜	42½	42½	2
S								
St. Louis-San Fran.	6⅝	⅝	9	⅞	4⅝	1¾	1⅞	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	17½	18⅝	..
Southern Railway	18½	2½	36	4⅛	36½	14	15⅛	..
T								
Texas & Pacific	35	13	43	15	43¼	18	18	..
U								
Union Pacific	94½	27⅝	132	61¼	133⅞	106¾	108¼	6
W								
Western Maryland	11⅜	1½	16	4	17¼	8	8¾	..
Western Pacific	4¾	½	9½	1	8½	2¾	3½	..

Industrials and Miscellaneous

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 7/25/34	Div'd $ Per Share
A								
Adams Express	9½	1⅝	13¼	3	11⅞	6⅝	7	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	91¾	96	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	17⅜	19	*1.05
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	1⅞	1⅞	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	126½	129	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	12⅝	12⅝	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	22	22¼	.80
American Can	73⅞	29⅝	100½	49½	107¾	90¼	95¼	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	14¼	15½	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	23½	25	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	5½	5¾	..
Amer. International Corp	12	2½	15⅛	4¼	11	6	6¼	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	13	13½	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	4¾	4¾	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	11¾	12½	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	15	15¾	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	35	35¾	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	13	14	..
Amer. Sugar Refining	39¼	13	74	21½	72	46	65⅛	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	107¾	112¼	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	71¼	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	76	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	16	16¾	1
Amer. Woolen	10	1⅝	17	3½	17⅛	8⅛	8½	..
do Pfd.	39⅞	15½	67½	22⅝	83¾	48½	48½	†2½
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	11⅛	11½	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21¾	23⅜	1
Auburn Auto	151¾	28¾	84¼	31	57⅜	19½	20¾	..
Aviation Corp. Del.	8⅞	1½	16⅜	5½	10¾	4	4¼	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	7⅜	7¾	..
Barnsdall Corp.	7	3⅜	11	3	10	6⅛	7⅛	..
Beatrice Creamery	43½	10½	27	7	18¾	10¾	13½	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 7/25/34	Div'd $ Per Share
B								
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	11½	11⅞	..
Best & Co.	24⅞	5¾	33⅛	9	34¼	26½	30	1½
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	26¾	28¾	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	49⅝	52½	3
Borden Company	43⅛	20	37⅜	18	28¼	19⅞	26	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	18¼	19⅛	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	19⅜	12	15¾	1
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	11⅛	11½	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	15½	16⅞	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29½	15¼	15¼	1
Case, J. L.	65¾	16¾	103½	30½	86¾	40	42¼	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23½	26	.50
Calanese Corp	12⅝	1¼	58⅞	4½	44⅞	20⅝	21⅞	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	43½	30¼	38	†1
Chesapeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	41⅞	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	35¼	36½	*1¼
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	13½	.50
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	66	3
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	9½	9⅝	..
Commercial Credit	11	3⅞	19¼	4	35⅛	18⅝	27⅛	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	59¾	35¾	54	2
Commercial Solvents	13¾	3½	57¼	9	36¾	17¾	18¼	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1¾	1¾	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	23	25¾	1.30
Consolidated Gas of N. Y.	68¾	31½	64⅛	34	47⅜	30⅜	31¼	2
Consol. Oil	9	4	15¾	5	14¼	8⅛	8⅝	†.28
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	6⅛	6⅜	..
Continental Can, Inc.	41	17⅝	78⅜	35¼	83¼	69½	77½	3
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	29	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	16½	17¾	†.25
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	60½	64	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	19	20¾	..
Cudahy Packing	35½	20	59½	20¾	50¾	37	45¼	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2½	2⅝	..
D								
Diamond Match	19⅛	12	29½	17½	28½	21¾	23	1
Dome Mines	12⅞	7½	39½	12	46¼	32	39½	*3½
Dominion Stores	18½	11¼	26⅜	10½	23	18	18⅛	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	16½	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	88	2.60
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	101⅛	79	97½	4
Electric Auto Lite	32¾	8½	27½	10	31⅜	17¾	18⅛	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	3¾	3⅞	..
Electric Storage Battery	33¼	12⅝	54	21	52	40	42	2
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	13⅞	14⅝	.40
First National Stores	54½	35	70¾	43	69¼	54¼	65¾	2½
Fox Film. Cl. A	5⅞	1	19	12	17½	8¾	9⅝	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	28⅝	29½	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	33	34	1
General Asphalt	15½	4¾	27	4⅝	23½	13¾	14¾	..
General Baking	19⅝	10½	20⅞	10½	14⅜	9	9	†50
General Electric	26⅛	8½	30¼	10½	25¼	18	18¼	.60
General Foods	40½	19⅝	39⅞	21	36⅞	30½	30⅞	1.80
General Mills	48½	28	71	35½	64½	53⅞	56	3
General Motors Corp	24⅝	7⅝	35¾	10	42	27¾	28¾	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	26½	26½	1
General Refractories	15⅜	1¾	19¾	2½	23⅜	10⅛	12½	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	13¼	8½	12⅛	1
Glidden Co.	10⅜	3⅛	20	3¾	28⅜	15⅝	23	*1.15
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16¾	18	1.20
Goodrich Co. (B. F.)	12⅜	2⅛	21½	3	18	9	9½	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	21⅝	22	..
Great Western Sugar	12	3¼	41⅞	7	35¼	25	32	2.40
Gulf States Steel	21⅛	2½	38	6¾	42	18	18	..
H								
Hershey Chocolate	83	43½	72	35⅛	68	48½	63	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	29¾	15	15⅝	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	6⅛	7⅛	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	1⅞	2⅜	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	50	56½	2
Inter. Business Machines	117	52½	153¼	75¾	149¼	131	136	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	21⅛	21⅝	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	27⅞	28	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	24⅜	†.20
International Shoe	44⅜	20¼	56⅜	24⅜	50⅜	40	42	2
Inter. Tel. & Tel.	15¾	2⅝	21¾	5⅛	17¾	9⅛	9⅞	..
J								
Johns-Manville	33⅜	10	63½	12¼	69⅜	44	46⅝	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅞	13⅛	.50
Kennecott Copper	19¼	4⅞	26	7⅜	23⅛	17¾	18⅝	†.15
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅞	18⅜	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	28⅝	*1½
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	24	3
Lehman Corp	51⅞	30½	79⅜	37½	78	64⅝	67¾	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	26½	27	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	97½	73	93	*5
Liquid Carbonic	22	9	50	10¼	35⅝	20¼	21	*1¼
Loew's, Inc.	37¾	13¼	36½	8½	35⅛	22½	23¾	1
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	17	1.20
M								
Mack Truck, Inc.	28¾	10	46⅜	13½	41¾	23½	24½	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	38½	40⅜	2
Marine Midland	14⅜	6½	11½	5	9	5¾	6¼	.40

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale 7/23/34	Div'd $ Per Share
M	High	Low	High	Low	High	Low		
Mathieson Alkali	20⅞	9	46⅝	14	40¾	28	29	..
May Dept. Stores	20	9½	33	9¾	44⅜	30	36	1.60
McIntyre, Porc M	21⅝	13	48⅜	18	50½	38½	45¼	2
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	21¼	25	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	14⅛	15	1
National Biscuit	46⅞	20¼	60⅝	31½	49½	33⅛	33¾	2
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	13½	14½	.50
National Dairy Prod	31⅜	14⅜	25¾	10½	18¾	13	16⅝	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	17⅝	18¼	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	8	8⅛	.80
National Steel	33⅞	13½	55⅛	15	58¼	38⅜	39½	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	2¾	3	..
North American Co	43¼	13¾	36½	12½	25¼	13⅜	14⅛	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	9⅞	10	†.15
Otis Elevator	22½	9	25¼	10⅛	19⅜	14	14⅝	.60
Otis	9¼	1¼	9¼	½	8	3⅞	4⅛	..
Owens Ill. Glass	42¼	12	96¾	31½	94	68¾	69	3
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	15½	16⅝	1½
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	2⅞	2⅞	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	3	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	57½	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	25⅛	26	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	14⅝	15	†.50
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	15⅛	16⅜	1
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	33⅛	36	..
Public Service of N. J.	60	28	57⅛	32⅝	45	33	33⅞	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	43	45¾	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	7½	8	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	10⅝	11	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	4⅝	5	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	1½	1¾	..
Remington-Rand	7½	1	11¼	2½	13⅜	16⅜	8¼	..
Republic Steel	13⅞	1⅞	23	4	25¾	12⅝	13¼	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	46⅝	39¾	45¾	3
Royal Dutch	23¾	12⅛	39¾	17⅝	39⅛	33	33¼	†1.35
S								
Safeway Stores	59¼	30⅛	62⅜	28	57	44	47⅝	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	38⅜	39¾	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	25⅜	27¼	*.80
Servel, Inc.	5⅜	1½	7½	1½	9	4¾	5⅛	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅞	6¾	7⅝	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	6¾	7⅜	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	9¾	10¾	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	14	14¼	†.30
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	14	14	1½
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	18⅜	18¾	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6⅝	7	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	30⅝	32½	1
Standard Oil of N. J.	37⅜	19⅞	47½	22¾	50⅛	41⅛	42¾	1
Sterling Products	....	....	63	45¾	65⅝	47½	65⅝	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	5	5⅛	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	5½	5⅝	..
Studebaker Corp.	13¾	2½	8⅜	1½	9¼	2¼	3	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	21½	22	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	30½	32½	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8½	10	..
Timken Roller Bearing	23	7¾	35½	13¾	41	25	26¾	1
Transamerica Corp	7½	2⅛	9⅜	2⅝	8½	5¾	6	†25
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	3⅞	3⅞	..
U								
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	51½	36	45¾	1½
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	35⅞	40⅞	1.40
Union Oil of Cal	15⅜	8	23⅜	8½	20½	15	15⅝	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	37⅜	14	15½	..
United Carbon	18	6⅝	38	10¼	46½	35	38⅞	1.72
United Corp	14	3½	14½	4	8⅞	4	4⅛	..
United Corp. Pfd.	39⅜	20	40⅞	22⅛	37⅞	24¾	28⅛	3
United Fruit	32⅜	10¼	68	23¼	77	59	69	*2½
United Gas Imp	22	9¼	25	13⅞	20⅛	14¼	15⅛	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	37	39	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	18	19	.50
U. S. Realty	11¾	2	14½	2½	12¾	4⅜	4⅝	..
U. S. Rubber	10¼	1¼	25	2⅞	24	12¼	13⅝	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	141	96⅝	130	†7
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	35⅛	36⅜	..
U. S. Steel Pfd	113	51½	105½	53	99½	79⅛	83¼	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2	2	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	16¼	7	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	3¼	3¾	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	34⅛	35⅛	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	18½	19	.50
Westinghouse Elec. & Mfg	43½	15⅝	58¾	19⅜	47¼	30¼	32⅛	..
White Motor	27¼	6⅞	26½	15⅛	28½	15⅞	15⅞	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54⅞	41¼	49⅜	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	13½	15⅞	..

† Paid This Year. * Including extra.

Why Utility Income is Lower While Consumption Gains

(*Continued from page 395*)

and possibly another 1,500,000 during 1934. Air conditioning is relatively a virgin field, and this branch is receiving increasing promotion from the power companies. Commercial installations are leading with industrial establishments following. Residential installations are still on a very limited scale, but manufacturers are developing low-priced equipment which may establish its popularity.

Aside from the residential business which accounts for about 37 per cent of the total revenues, and the commercial business which accounts for another 28 per cent, the utility companies do a large business in industrial and wholesale power, which accounts for the remaining 35 per cent. Rates for industrial and wholesale power are much less vulnerable from the rate angle than are the residential and the commercial rates, because in the first place they are arrived at by negotiation between the parties concerned and are usually lower than the cost at which the industrial company can generate its own electricity. Here, then, is a large portion of the utility companies' business which is beyond the rate harangues of politicians, and which can be considered safe so long as the Government or municipalities refrain from duplication of facilities and competition with the private companies.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, July 2	82.51	94.80	42.79	84.14	83.15	412,230
Tuesday, July 3	82.41	94.77	42.83	83.82	83.02	437,837
Wednesday, July 4			HOLIDAY—EXCHANGE CLOSED			
Thursday, July 5	82.54	96.44	43.30	85.04	83.89	440,466
Friday, July 6	82.56	97.32	43.55	85.67	84.81	457,897
Saturday, July 7	82.65	97.15	43.57	85.57	85.08	182,050
Monday, July 9	82.69	97.04	43.60	85.50	83.02	315,910
Tuesday, July 10	82.91	98.07	44.18	86.60	85.43	648,770
Wednesday, July 11	83.15	98.67	44.19	87.17	86.19	648,550
Thursday, July 12	83.36	98.32	43.51	86.56	85.73	466,340
Friday, July 13	83.34	98.82	43.27	86.51	85.45	334,010
Saturday, July 14	83.34	99.02	43.11	86.37	85.03	194,330
Monday, July 16	83.06	97.04	42.23	85.91	84.64	539,720
Tuesday, July 17	82.91	96.79	41.95	85.08	84.19	616,630
Wednesday, July 18	82.99	98.26	42.57	85.78	84.87	490,160
Thursday, July 19	83.00	97.24	42.11	85.98	84.75	613,200
Friday, July 20	82.69	94.74	40.64	85.07	82.82	1,243,315
Saturday, July 21	82.59	94.62	40.27	83.07	82.44	619,970
Monday, July 23	81.87	91.98	38.41	83.05	79.81	1,878,170
Tuesday, July 24	81.67	91.01	37.90	81.04	79.34	1,595,020
Wednesday, July 25	81.33	91.57	37.59	80.34	78.80	1,347,800
Thursday, July 26	79.74	85.51	34.29	79.63	74.95	3,338,120
Friday, July 27	80.17	87.84	34.99	78.09	76.07	2,213,716
Saturday, July 28	80.54	83.72	35.47	78.08	77.17	453,300

Answers to Inquiries

(*Continued from page 410*)

would counsel a sale with a view to investing the funds in a dividend paying issue.

U. S. INDUSTRIAL ALCOHOL CORP.

I now have a small loss in U. S. Industrial Alcohol. I am concerned about the outlook for this stock. What do you think of it? Do you advise holding or selling?—V. N. D., Chicago, Ill.

The U. S. Industrial Alcohol Corp. provides about 40% of the total ethyl alcohol in this country, controls a subsidiary which produces a variety of chemical products, and has strong representation in the liquor industry through ownership of a large block of the stock of National Distillers Products Corp. Additional diversity of interests comes from a 20% interest in the Pure Carbonic Co. The company reported earnings equivalent to $3.56 per share on 391,238 shares of capital stock in 1933, against only 47 cents a share a year earlier. The per share results for 1932 were before an inventory write-down of $1,500,000. The elimination of ruinous price cutting in the alcohol industry last year, together with the exceptionally severe winter enabled the company to operate on a highly satisfactory basis last year. Prices of industrial alcohol remain firm and it is estimated that earnings for the first half of the current year will be in the neighborhood of $2.36 a share, against actual results of only 80 cents a share in the initial half of 1933. With a normal sales gain in the second half of the current year, earnings for the full year are expected to total between $4.50 and $5 a share. Patience with the issue likely will be rewarded with a dividend return in the not too distant future. We counsel against sacrificing your holdings.

J. C. PENNEY CO.

I will appreciate your views on my prospects as an investor in J. C. Penney. Do you think it will suffer by the crop outlook? Do you think an upward revision in dividends may soon be seen?—P. S., Minneapolis, Minn.

The J. C. Penney Co. originally concentrated its outlets almost entirely in small Middle Western agricultural communities, but now has stores located in every state of the union. During recent years, moreover, it has opened a number of large stores in important urban centers and has thus somewhat lessened its dependence upon purchases by agricultural workers. At the close of last year the company was operating 1,466 stores strategically situated throughout the country to benefit from improved consumer demand. This is attested by the com-

pany's earnings statement for 1933, which revealed net income of $14,235,-638, equivalent, after allowing for dividend requirements on the 6% preferred stock, to $5.51 a share on the common against $5,082,672, or $1.57 a share for the previous year. Sales for the first six months of the current year were almost 27% ahead of those for the corresponding interval of last year. While costs have unquestionably been increased under the NRA, earnings for the full year are expected to compare favorably with those for 1933. Despite the fact that the company retired 95,952 shares of its preferred stock last year, cash alone, as of December 31, 1933, exceeded current indebtedness. With only a little over 100,000 shares of 6% pereferred stock preceding the common, increased distributions on the latter would seem a logical expectation if sales volumes are maintained. Government spending should go a long way toward preventing a complete collapse of purchasing power in the stricken drought areas while sections other than these may be expected to benefit from higher commodity prices. We feel, therefore, that the possible effects of the drought upon J. C. Penney should not be over-emphasized and that the shares warrant retention on the basis of income afforded and future appreciation prospects.

MOTOR WHEEL CORP.

I have 4 points loss on 100 shares of Motor Wheel bought as a speculation. Shall I sell or do you think this stock should be held on its longer term possibilities?—D. F. E., New York City.

Manufacturing a broad line of automobile parts, Motor Wheel Corp. was able to report a profit of $269,172 in the initial quarter of the current year, the first to be shown in this period since the March quarter of 1931. Quite obviously, this earnings improvement may be attributed directly to increased takings by its principal customers, which are understood to include, among others, Chrysler and Ford. The company manufactures a complete line of wheels, both metal and wood, and also produces radiators, window shield frames, fenders and numerous other products used by the automotive industry. The company is not wholly dependent upon the prosperity of that industry for profits, however, since in 1930 it added a line of oil burners and various types of heaters and in 1933 further diversified its output by entering into the manufacture of steel beer barrels and later wooden barrels for the whisky trade. It may be seen, therefore, that the company's dependence upon the automotive industry has been potentially lessened, although its newer lines have yet to prove their importance from a profit standpoint. While results in the barrel division have unquestionably been fairly satisfactory, the heating division must await improvement in the building industry before much in the way of profits can be expected from this source. The immediate prospects for the company would seem to hinge primarily upon activity in the automobile industry and while this gives evidence of some seasonal decline, the outlook is generally regarded as favorable. Capitalization of the company is conservative, being comprised entirely of common stock, while financial condition appears adequate for all normal requirements. At current levels, therefore, it seems to us that the stock quite adequately discounts the possibility of curtailed profits in the third quarter, and that you should, therefore, retain your holdings with a view to longer term potentialities.

KENNECOTT COPPER CORP.

I will appreciate your comment on the long-term possibilities for Kennecott. Do you think present earnings can be maintained; increased? Do you foresee higher dividends? Would you continue to hold 200 shares bought at 15⅞?—E. S. T., Boston, Mass.

With the largest sales quota in the industry, Kennecott Copper would seem to be one of the chief beneficiaries of the recently adopted copper code. Designed primarily to bring production more in line with consumption, the code, if successful, should go a long way toward correcting the chaotic conditions which have existed in this industry for some years past. World consumption of copper has recently increased and this, together with production limitations should tend to further improve the price structure of the "red metal," which is the chief profit determinant of Kennecott. At the company's annual meeting in May, it was stated that earnings during the initial four months of the current year were at the annual rate of 87 cents a share. In the full year 1933 net income was equivalent to only 21 cents a share. A distribution of 15 cents a share was made on June 30, and while this cannot be taken as conclusive evidence of regular dividends, it does reflect the earnings improvement already registered and the confidence of the management in future prospects. An excellent financial status has been maintained which would certainly allow a liberal dividend policy should earnings under the code fulfill expectations. In any event, the statistical position of the industry has improved substantially since 1931 and with higher consumption indicated as a result of improved world conditions, the earnings outlook for Kennecott would seem to dictate continued retention of your holdings for long-term price enhancement.

MACK TRUCKS, INC.

Please comment on Mack Trucks. Selling back near where I bought it, and with a sizable decline as compared with other issues, I believe it may be advisable to sell. What do you think?—A. C. W., Madison, Wis.

While it is true that the market action of Mack Trucks has not compared favorably with certain other issues, we would hesitate to recommend liquidation of your stock at present deflated prices. The company has long been a leading manufacturer of high grade, heavy duty trucks and, while it has thus far failed to benefit much from generally improved conditions throughout the country, this may be attributed almost entirely to the present stagnation in the building industry. Its dependence upon the building and construction trades for its prosperity would seem to be borne out by the fact that its highest earnings were established in 1926, which year, incidentally, witnessed the peak of the building boom which had been in progress for several years. Many trucks purchased would unquestionably soon be replaced by newer models with but a slight improvement in construction awards. Although operations were conducted at a loss during the initial quarter of the current year, this was substantially below the deficits reported in each of the three preceding March quarters. While the company may be chiefly dependent upon a higher level of building activities for worthwhile profits, demand for general industrial line trucks should be closely paralleling general business conditions. It seems to us, therefore, that Mack has already passed through its period of greatest losses and that gradual improvement is reasonable to expect henceforth. With an exceptionally liquid current position and with the common stock representing sole capitalization, we feel that you should retain your shares with a view to their long pull potentialities.

SUN OIL CO.

Do you think Sun Oil can still be bought to advantage at present prices? What of its prospects? Do you expect continuance of its present dividend policies?—J. T. D., Des Moines, Iowa.

The Sun Oil Co. operates as a complete unit in the oil industry, performing all functions in the oil industry, from production of crude oil to the marketing of gasoline and lubricants.

Exchange Control . . . .

The belief that the Securities Exchange Act may destroy the business of brokers and harm corporations whose securities are publicly held appears unwarranted, being based on unfamiliarity with the Act. Nevertheless, it is clear that every person who buys or sells securities should make a thorough study and analysis of this legislation.

"The Securities Exchange Act of 1934 Analyzed and Explained" by Charles H. Meyer, member of the New York Bar, meets this evident need. After pointing out the evils to be remedied, it reprints the text of both the 1934 Act and the Securities Act of 1933 as amended this year, section by section, followed by a practical analysis and explanation. Since the statute has not yet been officially or judicially construed this volume can be regarded only as the opinion of the author, whose background stamps him as one fitted to render expert interpretation.

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"Determinants of Investment Practice", written by a man who has devoted the major part of his business life to the operation of investment trusts, offers an intelligent treatment of the theory and practice of investment management. Edmund Brown, Jr., lays stress upon the importance of first defining your objectives and then proceeding in accord with fundamental investment principles which remain relatively unaltered, despite the shifting market scene.

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A list of carefully selected books of value to the investor and semi-investor.

1. **Successful Speculation in Common Stocks (Revised)**
   By William Law
   1934, New York,
   420 pages $3.50
2. ***How to Read the Tape**
   By John C. Duncan
   1934, New York,
   48 pages $1.00
3. **Security Analysis**
   By Benjamin Graham and David L. Dodd
   1934, New York $5.00
4. **Short Selling**
   By Richard Whitney and Wm. Perkins
   1932, New York,
   181 pages $1.25
5. ***What to Consider When Buying Securities Today**
   By A. T. Miller
   1932, New York,
   152 pages $2.25
6. **Kemmerer on Money**
   By Edwin Walter Kemmerer
   1934, Philadelphia,
   197 pages $1.50
7. **Inflation?**
   By Irving Fisher
   1933, New York $1.50

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Its products have distribution along the Atlantic Coast, the Middle West and South. A large export business in lubricants is carried on with Europe, South America, China, India and Australia. Some diversification is obtained through ownership of the Sun Shipbuilding & Drydock Co., and an interest in sulphur production. Sun Oil, although not one of the largest of the oil units, was able to come through the depression without reporting a deficit in a single year—a remarkable showing when contrasted with the industry as a whole. Earnings for 1933 were equivalent to $3.68 per share of common stock, contrasted with $2.07 in 1932. In the first six months of the current year, earnings amounted to $2.04 a share on 1,719,170 shares against 53 cents a share on 1,591,110 shares in the initial half of 1933. Given favorable operating conditions in the current half year, continuance of the present dividend of $1 a share plus stock dividends can be looked for. We would favor purchase of the issue as a longer term investment.

GENERAL RAILWAY SIGNAL CO.

Do you advise holding or selling General Railway Signal? I had thought of selling this stock in view of the company's poor showing. Before taking action I will appreciate your views.—R. J. S., Buffalo, N. Y.

General Railway Signal Co. has long been a leading manufacturer of railway safety devices. Prior to the low level of railroad earnings which has been in evidence throughout the depression, earnings of the company were highly profitable and a substantial surplus was built up which has enabled it to maintain dividends on its stock, even though not earned since 1931. The report for the initial quarter of the current year revealed a deficit of $180,447, compared with profit of $52,832 in the corresponding interval of 1933, equivalent, after allowing for dividend requirements on the 6% preferred stock, to 6 cents a share on the common. It would seem, therefore, that despite generally improved earnings of the railroads during the more recent past, a corresponding increase in orders has not been received by the subject company. There is little question, however, that given further expansion in revenues of the railroads, volume orders for the signal makers will soon be forthcoming. In the meantime, the company has obtained contracts for equipment to be employed in the new New York City subway and this should enable it to avoid further heavy losses over the medium term, at least. The financial condition remains strong and with but 23,038 shares of 6% cumulative preferred stock ranking ahead of the 320,700 shares of common, per share earnings of the latter could mount rapidly with but a slight improvement in its business. Since the railroads must eventually come into the market for signal and safety devices, the longer term earnings outlook is favorable. Retention of your holdings, both for income and price enhancement appears warranted.

HUDSON MOTOR CAR CO.

It seems to me that Hudson has declined to a point at which its purchase could be safely made. Before making a commitment, however, I would appreciate your views on this stock.—J. H. M., Baltimore, Md.

Although the Hudson Motor Car Co. has long been an important manufacturer of low and medium priced cars, it is now encountering probably the greatest competition in its history from such companies as General Motors, Chrysler and Ford. While operations in the initial quarter of the current year showed an improvement over those of the similar 1933 period, this was by no means as marked as was that of its larger competitors. As a matter of fact, the company reported a loss of $802,845 for the quarter. Operations since the latter part of February, however, are understood to have resulted in a profit, although this was not sufficient to offset previous losses. For the six months ended June 30, last, the deficit was $618,160 and reflected a profit of $184,685 in the second quarter. With indications pointing to rather large dealer stocks and with the industry now past its seasonal period of peak sales, there is some doubt as to continued operations in the black during the balance of the year. Hudson's new "Challenger" Terraplane has been fairly well received and has increased the company's share of unit domestic sales, but profit margins are doubtless low. Forced to absorb heavy operating losses for more than three years, the company's working capital has been substantially reduced. With financially stronger manufacturers concentrating in the low and medium priced fields, it does not appear that Hudson is very well situated from a competitive standpoint. Moreover, since the industry is now entering its seasonal period of declining sales, competition for available business will be greatly intensified. We do not feel, therefore, that there is any incentive to purchase Hudson, even at prevailing low quotations.

For features to appear in the next issue see page 375

Will Fall Business Recovery Depend on Politics?

(*Continued from page 383*)

Finally, and the most important consideration of all in the business prospect, is the Government's attitude. Over the past year or two, Washington has done a good deal both for and to business. Will it let the fall upturn proceed under the momentum already generated if the progress appears to be slow, or will something be done to accelerate things?

With the Congressional elections looming up this fall, it is not logical that the Administration should stay its hand. Since so large a proportion of both houses will stand for re-election, the powers and policies of the Roosevelt regime are very much at stake. Politically, it is essential that the real attempt be made to make business more active well before November. This desired improvement will result either from a normal quickening of the pace of trade and industry under the influence of natural forces: or the Government will resort to the powerful hypodermics which still repose in its kit. The potency of these powers cannot be doubted. No Administration in history ever has been vested with such authority—certainly not in peace times.

This is not to imply a belief in the theory that the Government can of itself establish prosperity; but it is readily admitted that a large disbursement of public funds in any given area will so enhance purchasing power as to give the semblance of prosperity, at least for a time. Conditions in various localities where C W A work was carried on extensively bear this out, as has the activity that prevailed in Southern states soon after crop restriction payments had been made. Unfortunately, however, the "prime the pump" arguments have failed, for the favorable effect produced by these injections wore off in time—but so long as public funds flowed freely the stimulation was undeniable.

There is, therefore, little question if the Government's efforts are exerted on a really large scale this fall that they will be successful. Consider the potentialities:

By the Thomas Amendment, the President may order money printed to the extent of three billions of dollars. He may take the rest of the so-called gold profit on the devalued dollar—about a billion. By buying silver and issuing silver certificates against it for about twice the purchase price, an additional tremendous sum is readily made available. Then there is the two-billion-dollar stabilization fund, which may be employed among other things for the support of the Government bond market. Also, a couple of billion dollars is available for direct relief—a stimulant to retail trade that can be turned on or off like a faucet. Half a billion dollars is to go out in drought relief. The Public Works Administration, instead of lagging somewhat as at present, can be speeded up almost without limit.

Finally, just in case anyone in the country should find themselves short of purchasing power, there is the Home Owners' Loan arrangement by which all non-liquid residential mortgages automatically become so. There is the recently passed Housing Act whose object is the insurance of mortgages, the insurance of building and loan shares, and which is also intended to make available funds for renovation and mortgage money generally. Nor must one forget the old Reconstruction Finance Corp. whose doors are still open to deserving corporate and institutional borrowers of all kinds. Finally, industry can now tap directly the resources of the Federal Reserve System. Need one say more of money's availability!

Obviously, so far as the fall prospects for general business are concerned, it is only a question of how forcefully these powers are employed. It is probably no exaggeration to say that if Washington so wished the greatest business activity in the history of the United States could be generated. Not that this reasonably can be expected under the present circumstances, for the after effects probably would be horrible, but it does emphasize the powers of business revival possessed by the Administration.

In actuality, what will probably happen is this: Washington will keep its hand on the patient's pulse; if he gradually grows stronger, then all well and good; but at the first sign of faltering he will be given brandy from a medicine dropper and if this is not effective it will be served him through a hose.

Does it really matter how the prospective business improvement is brought about—by a hands-off policy, or by a course of the most vigorous stimulation? Regarding the near-term future only, it probably makes little difference. The chance of ultimate disaster would be much lessened, if business could stage its recovery on its own momentum from this point. Nor can it be denied that business has at least a chance of staging such a pseudo-natural recovery. After all, the groundwork is certainly there. The chances of liquidation of anything on a broad national scale are so small as

Dividends and Interest

Censorship

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer.	85¾	50	50
Amer. Cyanamid B (.25)	22½	14¾	15¼
Amer. Gas & Elec. (1)	33⅜	18⅝	21⅝
Amer. Lt. & Tr. (1.60)	19⅜	10⅛	10⅛
Amer. Superpower	4⅞	1¾	1¾
Assoc. Gas Elec. "A"	2⅜	7/16	⅝
Atlas Corp	15½	7¾	8
Cities Service	4¼	1⅝	1⅞
Cities Service Pfd	26⅞	11¼	16
Colum. G. & E. cv. Pfd. (5)	103	68	72
Consol. Gas Balt. (3.60)	68	53	59½
Creole Petroleum	13⅜	9⅝	12
Distillers Cp. Seag	26⅝	8⅞	9
Elec. Bond & Share	23½	9⅝	9⅝
Elec. Bond & Share Pfd. (6)	60	31	42¾
Elec. Pr. Assoc. (.40)	8¼	4	4
Ford Motor of Can "A" (.50)	24⅞	15	17
Ford Motor, Ltd	9⅝	5½	7⅛
General Aviation	9½	3½	3½
Glen Alden Coal	24⅜	10¾	18⅞
Great A. & P. Tea N.-V. (7)	150	122	128¼
Greyhound Corp	20⅛	5⅜	15½
Gulf Oil of Pa	79¾	51	51
Hollinger Gold (1.05)	19⅝	11⅜	16⅛
Hudson Bay M. & S.	14¾	8¾	12⅛
Humble Oil (1)	46⅜	33¼	38⅝
Imperial Oil (.65)	15½	12⅝	13
Inter. Petrol. (1.56)	30⅝	19⅜	24⅝
Lake Shore Mines (2½)	55¼	41½	50
National Sugar Ref. (2)	38	29	34
Niagara Hudson Pwr	9¾	4⅞	5
Novadel-Agene (2)	23¼	17	17
Parke, Davis (1.20)	25⅜	22⅜	23
St. Regis Paper	5⅛	2⅛	2⅛
South Penn. Oil (1.20)	26½	17½	20
Standard Oil, Ky. (1)	17⅝	14⅝	15¼
Standard Oil of Ind. (1)	32¾	25	25
Swift & Co. (.50)	19	13⅞	14⅞
Swift Int'l (2)	34⅛	23¾	29⅛
Technicolor	14¾	7⅝	10⅛
Tech Hughes (.60)	8⅛	5⅝	6¼
United Founders	1½	⅝	⅝
United Gas Corp.	3¾	1⅞	2
United Lt. & Pwr. A	5⅜	2	2
United Shoe Mach. (5)	68⅜	57¾	65
Walker Hiram H. W.	57½	21¾	22½
Wright Hargreaves (.55)	10⅜	6⅝	8¾

to be negligible. No longer need people hoard their money for fear of banks, high-grade bonds, or mortgages. Moreover, few have been the times in our history when money was any easier than it is now. Member bank balances with the Federal Reserve Banks are at a new high and, while easy money like the mills of the gods often grinds very slowly, its ultimate effects are very sure. Sooner or later, the present sickeningly low return on capital *must* promote the search for new enterprise and bring about a "natural" stimulation of business.

There is also a physical side of the business picture to consider. Automobiles were by no means the only things that wore out during the depression, and in this particular case there resulted a large potential demand that eventually became effective. What of housing, industrial machinery, clothes and indeed everything else? Moreover, there has been immense improvement in the statistical position of most goods. While it is not believed, as has been stated, that a crop failure really helps a nation, it does have another side when there previously existed tremendous surpluses. Nor is it only in grains and cotton that excessive surpluses have been reduced. Metal stocks are now less cumbersome and the same may be said of many other semi-manufactured and manufactured goods.

There is indeed, therefore, more than an even chance that if the Administration only exercises a little patience it will not be called upon to do anything very drastic which, while it undoubtedly would have the desired effect, ultimately might—and probably would—have an objectionable aftermath. But we may as well make up our minds now, and act accordingly, that objectionable aftermath or no objectionable aftermath, an attempt will be made to generate business improvement this fall. Elections demand it, the Administration is pledged to it, and above all public opinion is determined to have it.

Anthracite Coal's Position Improved

(Continued from page 403)

about four-fifths of which provides assured income under the terms of lease agreements. The company also owns 700,000 shares of the common stock of the National Power & Light Co., a large public utility holding company.

In 1930, the company transferred its coal properties to a subsidiary with the result that the income account has since shown only actual dividends received and is no longer affected by losses from coal operations, nor does it reflect the company's equity in undistributed earnings of other subsidiaries. On this basis, net income last year was equal to $1.01 a share on 1,930,065 shares of capital stock. Earnings were practically the same for the twelve months ended March 31, last. In 1932, the parent company earned $1 a share for its stock, comparing with $1.22 and $1.31 in 1931 and 1930, respectively. On a consolidated basis, wherein coal

losses are a factor, earnings last year were equivalent to 43 cents a share, while 48 cents a share was earned in 1932.

Consolidated funded debt totals \$31,873,200, interest charges on which have been earned by a comfortable margin. Financial position at the end of last year included current assets of \$10,568,484 and current liabilities of \$5,247,429. Cash totalled nearly \$5,000,000. From the nature of the present source of the company's earnings, income is likely to be stable, with little or no prospect of increase. In fact, the reduction in the rate of common stock dividends by the National Power & Light Co. from \$1 annually to 80 cents will reduce earnings of Lehigh Coal & Navigation about 7 cents a share this year. In other words, any considerable improvement will depend upon later conditions in the anthracite industry. On the strength of this possibility, however, the shares at 8, have some speculative merit.

Higher Prices for Cotton

(*Continued from page 393*)

cotton but she has such a lack of transportation and is so primitive in her methods of cultivation that she will continue to buy from Japan and remain in the rut out of which she seems unable to climb.

Russia is like the shoemaker's barefooted children. The Soviets grow some cotton but they feel obliged to sell it to pay the bills incurred in their five-year plans of industrial development. A Russia, once halfway prosperous, could be a tremendous consumer of textiles.

We are apt to think of the Argentine as a vast combination of wheat fields and cattle ranches, but the Argentine grows, spins and weaves a little cotton. For the crop year 1932-33 (the Argentine crop year is the reverse of our own) the cotton area planted was 138,500 hectares, equal to 342,000 acres which produced 130,000 bales of cotton or about 190 pounds to the acre. They begin to pick cotton in the Argentine in the latter end of February and the first ginnings are in early March. A recent report states, "The textile industry is in a flourishing condition, some of the mills working three shifts and still being unable to cope with the demand. It is estimated that in the last two years the local consumption of cotton has risen by 50 per cent, the continued increase in the number of spindles pointing to a still larger consumption in the future." This little

In The Next Issue

New Investment and Trading Practice

The Market Under New Conditions

By Laurence Stern

The Outlook for Gold Mining Stocks

By John D. C. Weldon

quotation shows the nationalistic trend. It does not take much of a mill working three shifts very long to eat up 130,000 bales of cotton. Argentina imports many cargoes of cotton cloth from Manchester.

By and large, the problem of our planners is one of time. How long must we restrict production? How many years will be required for the world to absorb the 10,750,000 bales of American cotton that now rest upon the market at home and abroad? It depends in reality upon the ability of the peoples of all nations to convert actual pressing need into effective demand, to buy a new shirt instead of having the cuffs turned on the old one.

If it should require restriction over, say, five years, we might find very general increase in all countries where cotton can be grown and it might be difficult for us to win back our markets. Time is the essence.

Extremes in the Business Cycle Can Be Controlled

(*Continued from page* 387)

disturbance. The whole system could be put into effect as a revenue act, and the administration could be inexpensively handled by the Bureau of Internal Revenue, at least as to collections and disbursements.

The mechanics of recovery in the scheme is that a decline of employment, reflecting of course, a decline of production, is automatically followed by an increase of payrolls beyond the amount required to take care of immediately current production. This would mean at once increased production and increased consumption, thus starting an upward spiral.

Introduced at the bottom of a major depression, the Deane Plan would not be so promptly effective in apparent results as when it would swing into action the moment a depression starts. It does not include within its scope agriculture and personal service workers, but would cover about 30,000,000 persons, if applied only to those not earning normally above $60 a week. In the present depression, the plan could be applied without getting in the way of any of the emergency measures, and might turn out to be more soundly constructive than any of them. It involves virtually no regimentation or restriction of industrial liberty of either employers or employees.

President Roosevelt has warned Congress that the next session will be called upon for various sorts of social insurance. This will be the opportunity for the enactment of the Deane Plan. The plan scarcely touches the problem of over-investment in producers goods, tapping the circular flow of production into consumption and vice versa, which always brings on a depression in the end, no matter what the collateral causes; but the pressure of necessary and social justice taxation can be expected to retard investment for some years to come.

Mr. Deane says that the most of his worry over the plan is that he doesn't have enough thorny adverse criticism. Perhaps the reader can extend some help in that direction.

Railroads Face Higher Costs

(*Continued from page* 399)

As if the aforementioned obstacles were not sufficient to dash the hopes of a multitude of patient stockholders in the railroad industry, who after a lapse of years are beginning to take heart from the evidence of mounting traffic and revenues, there are still other factors which will tend to postpone the resumption of dividends and a more imminent advance in existing rates. Primarily, of course, there is the financial position which must be considered. The trying period through which the railroads have just passed has placed a severe financial strain on many roads; liquid resources have been depleted; and a number of roads have been compelled to borrow heavily from the R F C and the banks. Another factor is the deferred maintenance of property and equipment. The pressure of declining revenues has forced many carriers to make drastic reductions in the normal outlays for maintenance and repairs and, while not all of these savings must necessarily be made up in the years to come, the fact remains that current expenditures for the servicing of property and equipment are subnormal and as soon as railway managements acquire the confidence born of sustained traffic and constructive legislation, every effort, even to the point of borrowing, will be made to bring properties up to a normal standard. New and more efficient equipment will be an uppermost desire on the part of railway management.

From the foregoing it is impossible to escape the conclusion that a wholesale return to a dividend basis by railroad stocks is not in the immediate future. It is true that many of the uncertainties in the present situation would to a large extent be removed, or at least mitigated, by a sustained rise in traffic and a more enlightened attitude on the part of Congress, but for the present a realistic viewpoint, which recognizes the conditions for what they are, seems the wisest. In the meantime, however, the railroads, or at least their management, can be relied upon to make the best of ensuing conditions. As evidence of increased aggressiveness, witness the expressed intention of railway management to request a 10% increase in rates, the planning of a more active campaign directed toward the enactment of necessary legislation and the increasing success of railroads in meeting motor truck competition through such services as store-door delivery and pick-up.

The roads now paying dividends have continued to do so or resumed payment on a sound individual position and it appears probable that they will experience little difficulty in maintaining payments. In some instances, earnings would even appear to warrant an increase. However, the candidates for potentially higher dividends were considerably reduced by favorable dividend action on the part of such roads as Reading, Louisville & Nashville, Pennsylvania and Atchison.

Union Carbide & Carbon Corp.

(*Continued from page* 405)

not previously been mentioned. At the end of last year, Union Carbide held more than $14,700,000 in cash and a further $3,600,000 in marketable securities, valued at the market as of that date. Adding these to the company's receivables and inventories, total current assets amounted to $70,229,925, while current liabilities totalled only $8,893,576, and of this nearly half represented accrued taxes and declared, but unpaid, dividends. Such an immensely strong financial position is yet another item for which the purchaser of the stock can reasonably pay some premium over and above what he would pay under the normal earnings and yield basis of figuring common stock value.

There remains one final point which must be considered as adding at least something to the value of Union Carbide's common stock. The issue is of the *type* which may be expected to make as good a showing as any in the event of inflation. Although inflation is a general disaster and there is no such thing as the purchase of common stocks as protection against it, certain types of common stock appear to afford better protection than others. For example, the railroads and public utilities because of the difficulties that they obviously would experience in raising

rates are certainly not favorably situated in this connection. On the other hand, Union Carbide is free to raise the selling price of its products untrammelled by officialdom. Moreover, the company's products are such that higher prices probably would not meet the consumer resistance that higher food prices, for example, would encounter.

It is frankly admitted, of course, that while all these are reasons why Union Carbide sells on a higher price-earnings ratio than some of its less fortunately situated contemporaries, they do not necessarily excuse *all* the difference that actually exists. It is certain, however, that the recent break in the market has made Union Carbide cheaper than it was a few days ago and it is very much to be doubted whether a purchaser here will have reason to regret his commitment over the more distant future.

What's Ahead for the Market?

(*Continued from page 381*)

any enduring fashion can be a surprise to no realistic observer.

In the present spot there are two courses open to the Administration. It can move again to the Left, speed emergency spending and give the patient another shot in the arm through one monetary move or another. On the other hand, it can take thought and move to the Right, give up emergency powers of which the public is growing sick, return to a government of law rather than of departmental bureaucrats, permit business to adjust its costs to the available volume of orders and, in general, settle upon a policy under which business will no longer fear sudden changes.

Boiled down, what is needed is a stabilization of the New Deal, if not an irrevocable stabilization of the dollar.

Will we get it? Well, Mr. Roosevelt, above all, is a skilled politician, two jumps ahead of his associates in sensing the drift of public opinion. He will be back by mid-August. The test of the New Deal in the Congressional elections occurs in the first week of November. The time is growing short. Whether Mr. Roosevelt moves Left or Right, the political outlook for the New Deal will look far from roseate if by November 1, just three months hence, business and security prices are not substantially better than at present.

We think they will be.

Happening in Washington

(*Continued from page 389*)

valley as a great boon to scientific land utilization. Already they have $12,000,000 with which to undertake one of the most interesting experiments in changing the face of nature that has ever been undertaken. Vast preparations are going forward for the planting of an open forest a hundred miles wide from Canada to Texas. Also they are planning the replanting of millions of acres of land now in dusty fields to the original Buffalo grass and other drought resistant plants. At the same time the work of persuading the population of the arid regions to move to more humid country goes steadily on. Some long-time land use planners are predicting that there will be a considerable shift of population from the Northwest to the Southeast. But nobody likes to think of the economic recession rural and urban which will take place in the drought country and surrounding regions if beef comes back and wheat goes out. One thing is certain and that is that the Frazier-Lemcke act will be resorted to by thousands of farmers, as the

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Springs & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	50	53
Amer. Manufacturing	9	12
Amer. Meter Co	8	10
Babcock & Wilcox (1)	20	25
Bon Ami, B (3)	35	40
Canadian Celanese	16	18
Colt Fire Arms (1¼)	21	22½
Crowell Publishing Co. (1)	23¼	25½
Dixon (Jos.) Crucible (1)	....	50
Dictaphone Corp. (2)	19½	23
Fajardo Sugar	90	100
National Casket (2)	41	....
Singer Mfg. Co. (9½)	163	170
Wilcox & Gibbs	20	25
PUBLIC UTILITIES		
Alabama Power Pfd. (7)	51½	53
Carolina Power & Light Pfd. (3.50)	39¾	41½
Central Maine Power Pfd. (7)	71	75
Columbus Rwy. Pwr. & Lt. Pfd. (6)	73½	77
Consumers Power Pfd. (6)	81½	83
Dayton Power & Light Pfd. (6)	95	98
Jersey Central Pwr. & Lt. Pfd. (7)	61	64
Kansas Gas & Electric Pfd. (7)	80	81¼
Metropolitan Edison Pfd. (6)	68	....
Nebraska Power Pfd. (7)	100	101½
New Jersey Pwr. & Lt. Pfd. (6)	70	....
Northwestern Bell Pfd. (6½)	109¼	111¼
Ohio Public Service Pfd. (7)	74	76
Pacific Gas & Elec. Pfd. (1.50)	21	22½
Pacific Power & Light Pfd. (7)	12	14
Puget Sound Pwr. & Lt. Pfd.	9	11
Tennessee Elec. Power Pfd. (6)	47½	50½
Texas Power & Light Pfd. (7)	84	88
Utilities Pwr. & Lgt. Pfd	6	8
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (4)	68	72
Mountain States Tel. & Tel. (8)	108½	111½
Peninsular Telephone	5⅛	7¼
Southern New England Tel. (6)	105¼	107½

only way to hold on for another wet cycle.

Treasury experts are studying revenue measures designed to be inflation proof. When inflation comes it breeds more inflation, because current taxes are apt to be dependent upon last year's prices, whereas they have to pay this year's bills. Some sort of a sales tax is the answer, but legislatively it is an unsatisfactory answer. You may expect some camouflage proposals, and if they come, you may take them as a sure sign that the Treasury expects inflation.

As I See It

(*Continued from page* 379)

the shabby mobs of Leningrad and Moscow, or bump over impossible roads in a bad state of repair, even in the vicinity of these metropolitan centers. Meanwhile, government imported Packards and Rolls-Royces come and go in the Kremlin and the new Intourist fleet of impressive Lincolns, affording a pathetic contrast between industrial ambition and ultimate realization, are conducting tourists to the conspicuously scarce show points of Soviet achievement, but principally to the former palaces and monuments, forelorn remnants of the pre-revolutionary splendor.

Financially Russia is confused and weak, with gold the only acceptable medium for outside purchases. The domestic paper rouble worth in the open market no more than 2 cents although internally the rouble is artificially pegged for tourists at the absurdly fictitious value of $1.13.

What then are the Soviets doing with the large sums which they collect from their exports of the salable products of the country for which they pay their people in insignificant paper roubles and which they sell outside for valuable gold roubles? I saw very little new building; and what I did see was the flimsiest character—the temporary buildings of the "World's Fair" type of construction. The new "Maxim Gorky" airplane was not the first of a new series of commercial planes, but was designed purely for purposes of propaganda (or "agitation" as they call it). So it is with each one of the highly advertised innovations. There is one of a kind to stimulate the people to hope and to mislead the outside world as to Russian progress. It is the same with the announcement that the second five-year loan of from two to five billion roubles has been completely subscribed by the workers and the collective peasants. The fact is that on a certain day the pay offices will inform the workers that they are now owners of a bond.

The so-called inalienable rights of the individual as to freedom of movement and freedom of speech have been suppressed. Formerly false propaganda flatteringly inflated proletarian self-esteem. Now charts, projecting and forecasting future progress, generously intermingled with merciless terrorism—for the secret police are as active as they ever were under the Czar—have thus far kept the communist leaders in the saddle, probably much longer than they originally anticipated.

It is regrettable that more of the advanced thinkers, parlor pinks and other radicals in this country have not had the opportunity to see Russia today as I have seen it with the realism of many years of practical activity. If they could pierce the clouds of propaganda and half truths,—and catch a glimpse of the condition of the average Russian after 18 years of experimenting with Sovietism or Communism, we should hear much less of collectivist principles. There would no longer be the present passive acceptance to the onward sweep of bureaucracy. Government's invasion of private enterprise would be halted in its tracks. Individual freedom would be more highly cherished once it was seen how completely it can be lost.

Significant Foreign Events

(*Continued from page* 385)

Significant Barometer

A long-tested and indicative barometer of the trend of overseas trade is traffic through the Suez Canal. During the month of May of this year, shipping through the Canal totalled 2,765,000 tons, representing an increase of 11 per cent as compared to the corresponding month in 1933 and slightly better than that of 10.6 per cent registered in April.

For Profit and Income

(*Continued from page* 406)

no more than medium grade would be found classed among the better issues. American Bank Note sustained a loss in the first half of this year and earned only $1.72 of the $3 preferred dividend during the whole of last year. Nevertheless, the company is old-established and very strong financially. There is no question of its being able to weather a further period of uncertainty. The preferred stock at $41 a share yields about 7½%.

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